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8 HIGHLY CONFIDENTIAL - SUBJECT TO FURTHER
CONFIDENTIALITY REVIEW

VIDEOTAPED

10 DEPOSITION OF: RICHARD CHAPMAN

11 DATE: December 18, 2018

12 TIME: 9:37 a.m. to 3:04 p.m.

13

14 PLACE: 201 North Franklin Street
Suite 3400
Tampa, Florida

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16 PURSUANT TO: Notice by counsel for
Plaintiffs for purposes o
discovery, use at trial
or such other purposes
as are permitted under
the Ohio Rules
of Civil Procedure

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20 BEFORE: LISA A. SIMONS-CLARK, RMR
Notary Public, State of
Florida at Large

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| | Page 2 | Page 4 |
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| <p style="text-align: right;">Page 6</p> <p>1 THE VIDEOGRAPHER: We are now on the record.</p> <p>2 My name is Jeff Fleming. I'm a videographer for</p> <p>3 Golkow Litigation Services. Today's date is</p> <p>4 December 18, 2018. The time is 9:37 a.m.</p> <p>5 This video deposition is being held in Tampa,</p> <p>6 Florida, in the matter of National Prescription</p> <p>7 Opiate Litigation, MDL No. 2084 (sic) for the</p> <p>8 United States District Court for the Northern</p> <p>9 District of Ohio, Eastern Division.</p> <p>10 The deponent is Rick Chapman. Will counsel</p> <p>11 please identify themselves for the record?</p> <p>12 MR. PIFKO: Good morning. Mark Pifko on</p> <p>13 behalf of Plaintiffs and the PEC from the law firm</p> <p>14 of Baron & Budd.</p> <p>15 MR. POWERS: Will Powers from Baron & Budd.</p> <p>16 MS. McENROE: Good morning. Elisa McEnroe</p> <p>17 from Morgan, Lewis & Bockius on behalf of Rite-Aid</p> <p>18 and the witness; and together with me I have with</p> <p>19 my colleague -- me and my colleague Kelly Moore</p> <p>20 and John Maloy.</p> <p>21 MR. VITALE: And Michael Vitale with the law</p> <p>22 firm of BakerHostetler representing Cardinal</p> <p>23 Health.</p> <p>24 THE VIDEOGRAPHER: Do we need counsel on the</p> <p>25 phone, too?</p> | <p style="text-align: right;">Page 8</p> <p>1 some questions today.</p> <p>2 A. Okay.</p> <p>3 Q. Let's start by having you please state and</p> <p>4 spell your name for the record.</p> <p>5 A. My formal name is Richard Chapman.</p> <p>6 R-i-c-h-a-r-d, C-h-a-p-m-a-n, and I normally go by</p> <p>7 Rick.</p> <p>8 Q. Okay. And you understand that you are here in</p> <p>9 connection with a lawsuit concerning opioids; is that</p> <p>10 correct?</p> <p>11 A. I do.</p> <p>12 Q. Okay. You work at Rite-Aid?</p> <p>13 A. I did.</p> <p>14 Q. What -- are you retired now?</p> <p>15 A. I am.</p> <p>16 Q. All right. Before we get started, I want to</p> <p>17 go over some ground rules. I'm sure that in preparing</p> <p>18 for the deposition your counsel went over them, but</p> <p>19 let's just go over a couple of the high points before</p> <p>20 we get started so we make sure we're all on the same</p> <p>21 page here.</p> <p>22 A. Okay.</p> <p>23 Q. Okay. So you see we have a court reporter</p> <p>24 here that's writing everything down that we're saying.</p> <p>25 As a result of the fact that we're making a written</p> |
| <p style="text-align: right;">Page 7</p> <p>1 MR. PIFKO: Who's at the end? Sorry. Oh,</p> <p>2 that's --</p> <p>3 MS. McENROE: That's my colleague, John Maloy.</p> <p>4 MR. PIFKO: And anyone on the phone, can you</p> <p>5 announce yourself, please?</p> <p>6 MR. BARRIENTOS: Yes. Alejandro Barrientos</p> <p>7 from Covington & Burling.</p> <p>8 MS. CACERES: Joanne Caceres from Jones Day</p> <p>9 representing Walmart.</p> <p>10 MS. CALLAS: Gretchen Callas from Jackson</p> <p>11 Kelly for AmerisourceBergen.</p> <p>12 MR. LOMBARDO: John Lombardo with Arnold &</p> <p>13 Porter for the Endo and Par defendants.</p> <p>14 THE VIDEOGRAPHER: The court reporter is Lisa</p> <p>15 Clark and will now swear in the witness.</p> <p>16 RICHARD CHAPMAN,</p> <p>17 the witness herein, being first duly sworn on oath, was</p> <p>18 examined and deposed as follows:</p> <p>19 THE WITNESS: I do.</p> <p>20 DIRECT EXAMINATION</p> <p>21 BY MR. PIFKO:</p> <p>22 Q. Good morning, Mr. Chapman.</p> <p>23 A. Good morning.</p> <p>24 Q. My name is Mark Pifko. I represent the</p> <p>25 plaintiffs in this matter. I'm going to be asking you</p> | <p style="text-align: right;">Page 9</p> <p>1 record of the proceedings, we need to be careful about</p> <p>2 how we say and do certain things that we might normally</p> <p>3 do in a conversation.</p> <p>4 So first, we need to make sure that you give</p> <p>5 an audible response to any question instead of just</p> <p>6 nodding your head or shrugging your shoulders.</p> <p>7 Understood?</p> <p>8 A. I do. I do understand.</p> <p>9 Q. Okay. And then we need to be careful about</p> <p>10 saying things like uh-huh or uh-uh, because when you</p> <p>11 write it down, you can't really tell the difference,</p> <p>12 even though I can hear the difference; but, when we see</p> <p>13 the written record, we can't. So if you're trying to</p> <p>14 say yes or no, just use something that's more clear.</p> <p>15 A. I understand.</p> <p>16 Q. Okay. You understand that you've just been</p> <p>17 sworn in and you're under oath?</p> <p>18 A. I do.</p> <p>19 Q. And you understand that means that you could</p> <p>20 be subject to criminal or civil penalties if you lie or</p> <p>21 intentionally are misleading today?</p> <p>22 A. I do.</p> <p>23 MS. McENROE: Objection to form.</p> <p>24 THE WITNESS: Oh.</p> <p>25 MS. McENROE: You may answer.</p> |

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| <p>1 THE WITNESS: I do.</p> <p>2 BY MR. PIFKO:</p> <p>3 Q. Okay. And that's a good point to note, that</p> <p>4 from time to time counsel may -- various counsel in</p> <p>5 here or on the phone may assert an objection. Unless</p> <p>6 they instruct you not to answer, I'm still expecting an</p> <p>7 answer to the question. Okay?</p> <p>8 A. Okay.</p> <p>9 Q. And they'll be very clear if they're going to</p> <p>10 be instructing you not to answer, I'm sure. And then</p> <p>11 I'm going to be asking you about some events in the</p> <p>12 past. I'm entitled to your best recollection or</p> <p>13 estimate of what occurred in the past, but at the same</p> <p>14 time, I don't want you to guess.</p> <p>15 So if you have absolutely no memory or ability</p> <p>16 to say anything, then, you know, you can say that; but,</p> <p>17 if you can have some sort of memory and you can give</p> <p>18 your best estimate or recollection, I'm entitled to</p> <p>19 that. Okay?</p> <p>20 A. I understand.</p> <p>21 Q. Okay. And then if I ask you something and you</p> <p>22 don't understand it, please let me know, and I'll try</p> <p>23 to use language or rephrase the question in a way that</p> <p>24 makes it so that you do understand. Okay?</p> <p>25 A. Okay.</p> | <p>1 come back temporarily.</p> <p>2 Q. Did you -- so we're here in Tampa. I assume</p> <p>3 that's where you live now?</p> <p>4 A. I live in Madeira Beach, Florida --</p> <p>5 Q. Okay.</p> <p>6 A. -- which is in Pinellas County.</p> <p>7 Q. Okay.</p> <p>8 A. It's in the Bay Area here.</p> <p>9 Q. Okay. So did you have to leave this area to</p> <p>10 take that assignment in 2016 and 2017?</p> <p>11 A. I maintained a home here and had a temporary</p> <p>12 housing basically, an apartment, in the -- in the Camp</p> <p>13 Hill area.</p> <p>14 Q. Okay. So you were physically located in Camp</p> <p>15 Hill to perform the duties of that job?</p> <p>16 A. I was physically located in Camp Hill.</p> <p>17 Q. And then for your -- the time between June</p> <p>18 2007 and July 2015, where were you physically located?</p> <p>19 A. In Camp Hill. Again, we maintained a home</p> <p>20 here, but I had a home in Camp Hill.</p> <p>21 Q. What did you do before you joined Rite-Aid?</p> <p>22 A. I worked for Eckerd Corporation and then for</p> <p>23 Brooks Eckerd Corporation.</p> <p>24 Q. What was your tenure at the Eckerd</p> <p>25 Corporation?</p> |
| <p style="text-align: center;">Page 11</p> <p>1 Q. But if you answer, I'm going to assume that</p> <p>2 you do understand. Okay?</p> <p>3 A. Okay.</p> <p>4 Q. All right. So let's talk about your</p> <p>5 employment with Rite-Aid. You -- when did you retire</p> <p>6 from Rite-Aid?</p> <p>7 A. I retired in July of 2015, and I did go back</p> <p>8 to work for Rite-Aid for a -- for a temporary</p> <p>9 assignment in 2016 and retired again or left again in</p> <p>10 2017.</p> <p>11 Q. Okay. When did you join Rite-Aid?</p> <p>12 A. In June of 2007.</p> <p>13 Q. Let's talk for a second about this temporary</p> <p>14 employment that you had. What -- do you remember</p> <p>15 approximately the month when that started?</p> <p>16 A. November of 2016.</p> <p>17 Q. And then when did you end in 2017?</p> <p>18 A. October.</p> <p>19 Q. What was the nature of that work?</p> <p>20 A. It was as the -- I'm trying to recall the job</p> <p>21 title because it was an odd -- it was, like,</p> <p>22 coordinating director of supply chain or something like</p> <p>23 that. It was the position that had been held by my</p> <p>24 former boss as senior VP of supply chain.</p> <p>25 He had left the company, and they asked me to</p> | <p style="text-align: center;">Page 13</p> <p>1 A. I started at Eckerd Corporation in December</p> <p>2 1974.</p> <p>3 Q. And then there was some sort of corporate</p> <p>4 transaction between Rite-Aid and Eckerd?</p> <p>5 MS. McENROE: Objection to form. You may</p> <p>6 answer.</p> <p>7 THE WITNESS: No, not between Rite-Aid and</p> <p>8 Eckerd. By the time that transaction took place,</p> <p>9 Eckerd had been purchased by a company named</p> <p>10 Brooks. So the corporation was Brooks Eckerd at</p> <p>11 that time.</p> <p>12 BY MR. PIFKO:</p> <p>13 Q. Okay. So do you have a memory of when the</p> <p>14 transaction between Eckerd and Brooks occurred?</p> <p>15 A. 2004, I believe. The fall of 2004, I believe.</p> <p>16 Q. Okay. And then there was a transaction</p> <p>17 between Rite-Aid and Brooks, correct?</p> <p>18 A. Correct.</p> <p>19 Q. And what was the approximate time frame for</p> <p>20 that?</p> <p>21 A. It closed in June of 2007. That's when I</p> <p>22 joined Rite-Aid.</p> <p>23 Q. Did your job responsibilities change in any</p> <p>24 way when -- well, what's your understanding of what the</p> <p>25 nature of the transaction was between Rite-Aid and</p> |

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| <p style="text-align: right;">Page 14</p> <p>1 Brooks?</p> <p>2 MS. McENROE: Objection. Form.</p> <p>3 THE WITNESS: Rite-Aid purchased Brooks Eckerd</p> <p>4 Corporation.</p> <p>5 BY MR. PIFKO:</p> <p>6 Q. Okay. So did -- when Rite-Aid purchased</p> <p>7 Brooks Eckerd Corporation, did your job</p> <p>8 responsibilities change in any way?</p> <p>9 A. Yes.</p> <p>10 Q. Okay. We'll -- we'll go through, I guess,</p> <p>11 from the start of your time with the Eckerd</p> <p>12 Corporation, the various positions that you held.</p> <p>13 A. Okay.</p> <p>14 MS. McENROE: Objection. Form. Calls for a</p> <p>15 narrative.</p> <p>16 BY MR. PIFKO:</p> <p>17 Q. So you started at the Eckerd Corporation in</p> <p>18 December 1974, correct?</p> <p>19 A. Correct.</p> <p>20 Q. What was your highest level of education at</p> <p>21 that time?</p> <p>22 A. Some college.</p> <p>23 Q. Where did you attend college?</p> <p>24 A. Carnegie Mellon University.</p> <p>25 Q. When did you start going to Carnegie Mellon?</p> | <p style="text-align: right;">Page 16</p> <p>1 Q. Okay.</p> <p>2 A. -- and so they renamed the college Eckerd</p> <p>3 College because of the contribution that he had made.</p> <p>4 Q. How long did you attend courses there?</p> <p>5 A. It was an 18-month, perhaps, period, I would</p> <p>6 say.</p> <p>7 Q. Was that something you did while you were</p> <p>8 working, or did you have to take time off from work to</p> <p>9 do that?</p> <p>10 A. While I was working.</p> <p>11 Q. What was your final degree that you got from</p> <p>12 Eckerd College?</p> <p>13 A. Bachelor of Arts in Business.</p> <p>14 Q. And you attended some courses before that as</p> <p>15 well?</p> <p>16 A. I did.</p> <p>17 Q. Do you remember where?</p> <p>18 A. Valencia Community College in Florida -- in</p> <p>19 Orlando and St. Pete College in St. Petersburg.</p> <p>20 Q. Did you get any degrees or certificates or</p> <p>21 anything from those universities?</p> <p>22 A. I did not.</p> <p>23 Q. What was your first position at the Eckerd</p> <p>24 Corporation?</p> <p>25 A. I was temporary Christmas help at the Orlando</p> |
| <p style="text-align: right;">Page 15</p> <p>1 A. 1973.</p> <p>2 Q. And then did you stop attending courses when</p> <p>3 you started working for the Eckerd Corporation?</p> <p>4 A. No. No. I stopped courses at Carnegie Mellon</p> <p>5 in December of 1973.</p> <p>6 Q. Okay. Then about a year later you joined the</p> <p>7 Eckerd Corporation?</p> <p>8 A. Correct.</p> <p>9 Q. Did you attend any college courses after you</p> <p>10 joined the Eckerd Corporation?</p> <p>11 A. I did.</p> <p>12 Q. Okay. When was that?</p> <p>13 A. Oh, various times. Multiple occurrences in,</p> <p>14 gosh, the late '70s, the early '80s, and then I</p> <p>15 completed my degree work in the early 2000s.</p> <p>16 Q. So you have a degree from where?</p> <p>17 A. Eckerd College.</p> <p>18 Q. Okay. Is that affiliated with the</p> <p>19 corporation?</p> <p>20 A. No, it is not.</p> <p>21 Q. Okay. Just a coincidence?</p> <p>22 A. It -- it was Florida Presbyterian College, and</p> <p>23 it received a significant endowment from Jack Eckerd,</p> <p>24 who had founded the corporation, the Eckerd</p> <p>25 Corporation --</p> | <p style="text-align: right;">Page 17</p> <p>1 photo lab.</p> <p>2 Q. So I assume that was a very short-term</p> <p>3 position?</p> <p>4 A. The temporary part was.</p> <p>5 Q. Okay. Then what did you do next?</p> <p>6 A. Well, I worked -- continued to work in the</p> <p>7 photo lab for a couple of years, and then I moved into</p> <p>8 a distribution center that was also in Orlando.</p> <p>9 Q. When did you start working at the distribution</p> <p>10 center?</p> <p>11 A. Late 1976, I believe.</p> <p>12 Q. How long did you work there?</p> <p>13 A. At that particular distribution center --</p> <p>14 there was actually three different buildings or</p> <p>15 distribution centers in Orlando and all in one complex,</p> <p>16 and I worked among those three until 1980.</p> <p>17 Q. Did you have a specific job -- the same job</p> <p>18 title during that time period?</p> <p>19 A. I did not.</p> <p>20 Q. All right. Let's go through each of those.</p> <p>21 When you first started working at the distribution</p> <p>22 center, what was your job title?</p> <p>23 A. I was -- I loaded trucks. My job title was a</p> <p>24 Material Handler B.</p> <p>25 Q. Okay. And how long did you have that</p> |

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| <p>1 position?</p> <p>2 A. Several months. You know, less than a year I</p> <p>3 would say, but several months.</p> <p>4 Q. And then what did you do?</p> <p>5 A. I became an order selector in the case goods</p> <p>6 picking department.</p> <p>7 Q. What were your responsibilities as an order</p> <p>8 selector?</p> <p>9 A. We got orders from the stores of the items</p> <p>10 that they -- that they wanted or needed for</p> <p>11 replenishment that were sent out in bulk quantities,</p> <p>12 either in full cases or in very -- you know, the items</p> <p>13 themselves were bulky.</p> <p>14 We fulfilled those orders, confirmed that we</p> <p>15 had picked the items and packed them for delivery to</p> <p>16 the store.</p> <p>17 Q. Did you have any involvement in picking</p> <p>18 controlled substances at that time?</p> <p>19 A. I did not.</p> <p>20 Q. And then what was your next position?</p> <p>21 A. I was a group leader, which is -- was a -- an</p> <p>22 hourly lead position in one of the departments in the</p> <p>23 distribution center.</p> <p>24 Q. What were your responsibilities as a group</p> <p>25 leader?</p> | <p>1 things of that nature, and so I was the representative</p> <p>2 from distribution on that team.</p> <p>3 Q. How long did you do that?</p> <p>4 A. Until 1982, I believe.</p> <p>5 Q. In connection with that work, did you do</p> <p>6 anything related to controlled substances?</p> <p>7 A. Nothing directly related to controlled</p> <p>8 substances. I mean, the systems that were being</p> <p>9 designed ran the warehouses. So, you know, that</p> <p>10 ultimately involved controlled substances, but nothing</p> <p>11 I directly did had anything to do with controlled</p> <p>12 substances.</p> <p>13 Q. And then what was your next position?</p> <p>14 A. I was a supervisor in the Clearwater</p> <p>15 distribution center.</p> <p>16 Q. What was your responsibility as a supervisor?</p> <p>17 A. You oversaw multiple departments within the</p> <p>18 distribution center, hired and fired, you know, hired</p> <p>19 and managed the workforce, made sure there was adequate</p> <p>20 staffing, and again, maintain the flow of work through</p> <p>21 the distribution center.</p> <p>22 Q. How long did you have that position?</p> <p>23 A. For just over a year.</p> <p>24 Q. So from approximately 1982 to 1983?</p> <p>25 A. Correct.</p> |
| <p style="text-align: center;">Page 19</p> <p>1 A. To assign work to the associates in that</p> <p>2 department, to maintain the flow of goods through the</p> <p>3 distribution center.</p> <p>4 Q. Did you have any involvement with controlled</p> <p>5 substances at that time?</p> <p>6 A. I did not.</p> <p>7 Q. So then in 1980 you stopped working at the</p> <p>8 distribution center; is that correct?</p> <p>9 A. Correct.</p> <p>10 Q. And then where did you go?</p> <p>11 A. I moved to the Eckerd corporate office in</p> <p>12 Largo, Florida.</p> <p>13 Q. What title did you take on then?</p> <p>14 A. I think the title was distribution systems</p> <p>15 analyst, if I recall correctly.</p> <p>16 Q. What was your -- what were your</p> <p>17 responsibilities?</p> <p>18 A. Eckerd was putting together a team. They were</p> <p>19 replacing their information systems that supported</p> <p>20 accounting, merchandising, the distribution centers,</p> <p>21 things of that nature; and Eckerd, as a part of that</p> <p>22 project, put together a user team from each of the</p> <p>23 functional areas so that -- and the assignment of that</p> <p>24 user team was to help with testing, design, you know,</p> <p>25 user -- human interface design and writing manuals and</p> | <p style="text-align: center;">Page 21</p> <p>1 Q. And then what did you do?</p> <p>2 A. In 1983 I moved -- went to Hammond, Louisiana,</p> <p>3 to help open a distribution center there.</p> <p>4 Q. How long did you work there?</p> <p>5 A. One year.</p> <p>6 Q. What types of responsibilities did you have</p> <p>7 with respect to assisting them in opening that</p> <p>8 distribution center?</p> <p>9 A. I was an operate -- I had been promoted from</p> <p>10 supervisor to operations manager. So I was responsible</p> <p>11 for some of the -- I had multiple supervisors work for</p> <p>12 me at that point. So I was responsible for the</p> <p>13 shipping and receiving departments and the support</p> <p>14 functions within the distribution center, like the</p> <p>15 forklift operations and things of that nature.</p> <p>16 Q. Did the people under you have responsibility</p> <p>17 for shipping controlled substances?</p> <p>18 A. I was not responsible for the department that</p> <p>19 selected and packed controlled substances, but the</p> <p>20 trucks that were loaded did have controlled substances</p> <p>21 on them. So the forklift drivers, for instance, that</p> <p>22 moved product would have moved controlled substances,</p> <p>23 yes.</p> <p>24 Q. Okay. Where did you go next?</p> <p>25 A. I then went to the Atlanta distribution</p> |

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| <p style="text-align: right;">Page 22</p> <p>1 center, which is actually in Newnan, Georgia, but we 2 commonly called it the Atlanta distribution center. 3 Q. What was your responsibility there? 4 A. I was also an operations manager, and so I was 5 over multiple departments, kind of similarly to in 6 Hammond, so -- 7 Q. Did you have any responsibility for controlled 8 substances there? 9 A. I did have the pharmacy department in the 10 Newnan distribution center report to me as -- at one 11 time during that period of time that I worked for -- 12 Q. Okay. What was the period of time that you 13 worked there? 14 A. I was there from 1984 to 1989. 15 Q. So some of the people under you were 16 responsible for picking controlled substances that 17 needed to be shipped to stores and fulfilling those 18 orders? 19 MS. McENROE: Objection to form. You may 20 answer. 21 THE WITNESS: During a portion of that 22 five-year period -- we rotated responsibilities. 23 There were two operations managers, and we kind of 24 changed assignments; but during a portion of that 25 five-year period, yes, I was over the pharmacy</p> | <p style="text-align: right;">Page 24</p> <p>1 Q. How long did you have that position? 2 A. Well, that direct position I probably had for 3 three years perhaps and then -- probably three years. 4 Q. So in approximately 1992 you moved to another 5 position? 6 A. Well, I -- I was promoted to a director level 7 position. My boss left that position, so I was 8 promoted into his job. So I still had the same 9 responsibilities, but my responsibilities then 10 expanded, so -- 11 Q. What was your title then? 12 A. Director of distribution systems and planning, 13 I believe. 14 Q. How long did you have that position? 15 A. I was in that position through -- and it 16 ultimately got changed to be a senior director level 17 position, but I was in that position through the time 18 that Eckerd's was sold to Brooks. 19 So I was at the Eckerd corporate office until 20 that sale, that transaction was complete. 21 Q. So that -- the Brooks and Eckerd transaction 22 occurred in 2004? 23 A. Yes, I believe that's correct. 24 Q. And then you had a change in responsibilities 25 at that time?</p> |
| <p style="text-align: right;">Page 23</p> <p>1 area, and yes, there were associates within the 2 pharmacy area that were responsible for picking 3 and packing controlled substances to go to the 4 stores. 5 BY MR. PIFKO: 6 Q. Of the time period from 1984 to 1989, what was 7 the portion that you had responsibility for the 8 pharmacy operations? 9 A. Probably two of those five years, I would say. 10 Q. Okay. Do you remember which of the -- of that 11 period, which two years? 12 A. It was the latter part of that period, so -- 13 Q. So from 1987 to 1989? 14 A. Yes. Around that, I would say. 15 Q. And then where did you go after 1989? 16 A. I returned to the Eckerd corporate office in 17 Largo, Florida. 18 Q. What did you do there? 19 A. I think the job title was manager of 20 distribution systems and planning, if I recall 21 correctly; and the key responsibilities were the 22 budgeting and financial planning for the distribution 23 centers and to act as the liaison for systems 24 development and maintenance in the distribution 25 centers.</p> | <p style="text-align: right;">Page 25</p> <p>1 A. Yes. Yes. 2 Q. Okay. So what -- what was your new position 3 in 2004? 4 A. Well, it was -- I think the job title was just 5 changed to senior director of logistics, and I remained 6 part of the Brooks Eckerd corporate office team, I 7 guess; and I had largely the same responsibilities that 8 I had had prior and also -- also had responsibility for 9 some transportation functions. 10 Q. How long did you have that position? 11 A. Until the Rite-Aid/Brooks transaction. 12 Q. That was in 2007? 13 A. Yes. 14 Q. So when Rite-Aid purchased the Brooks Eckerd 15 Corporation, you had a change in job responsibilities? 16 A. I did. 17 MS. McENROE: Objection to form. 18 THE WITNESS: I did. 19 BY MR. PIFKO: 20 Q. Okay. What was your job then? 21 A. I became the general manager of the 22 Philadelphia distribution center. 23 Q. How long did you have that position? 24 A. About 16 months. 25 Q. So to sometime in 2009?</p> |

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| <p style="text-align: right;">Page 26</p> <p>1 A. No, in 2008.</p> <p>2 Q. Okay.</p> <p>3 A. Yeah, it was like from June of 2007 till the</p> <p>4 end of September of 2008, I think.</p> <p>5 Q. Okay. What were your responsibilities as the</p> <p>6 general manager for the Philadelphia distribution</p> <p>7 center?</p> <p>8 A. It was overall responsibility for the</p> <p>9 distribution center. So, you know, managing it,</p> <p>10 staffing it, ensuring that we served our store</p> <p>11 customers in the way that we did, maintaining flow of</p> <p>12 products, meeting the financial responsibilities,</p> <p>13 things of that nature.</p> <p>14 Q. When you say "meeting the financial</p> <p>15 responsibilities," what do you mean?</p> <p>16 A. Well, I mean, we had a budget that we were --</p> <p>17 as any company does; and so I was, you know, part of my</p> <p>18 job was to make plans and to put the budget together</p> <p>19 and then to achieve those, so --</p> <p>20 Q. Were you the top -- as the general manager of</p> <p>21 a distribution center, were you the top level person at</p> <p>22 that distribution center?</p> <p>23 A. I --</p> <p>24 MS. McENROE: Objection to form.</p> <p>25 THE WITNESS: I was.</p> | <p style="text-align: right;">Page 28</p> <p>1 the -- a huge portion of the responsibility was</p> <p>2 transportation related. I was responsible for both</p> <p>3 inbound and outbound transportation to the stores.</p> <p>4 I also had responsibility for the financial</p> <p>5 planning activity, for the safety programs and safety</p> <p>6 management, system support, and regulatory compliance.</p> <p>7 Q. When you say "regulatory compliance," what do</p> <p>8 you mean by that?</p> <p>9 A. I mean there was a member of my team that was</p> <p>10 the person, the resource, that coordinated with the DCs</p> <p>11 to make sure that we were in compliance with</p> <p>12 regulations related to all pharmacy activities,</p> <p>13 controlled substances, things of that nature.</p> <p>14 That individual coordinated both -- it was</p> <p>15 kind of a liaison between the distribution centers and</p> <p>16 our corporate staff that acted as our subject matter</p> <p>17 experts for that.</p> <p>18 Q. What's the title of that regulatory compliance</p> <p>19 person?</p> <p>20 A. Director of -- it may have been director of</p> <p>21 compliance. I don't recall, you know, specifically.</p> <p>22 Q. During your tenure from 2008 to 2015, were</p> <p>23 there multiple people that held that position?</p> <p>24 A. There were.</p> <p>25 Q. Do you remember any of their names?</p> |
| <p style="text-align: right;">Page 27</p> <p>1 BY MR. PIFKO:</p> <p>2 Q. So did you oversee people who had</p> <p>3 responsibility for shipping controlled substances to</p> <p>4 Rite-Aid pharmacies?</p> <p>5 A. I did not.</p> <p>6 Q. Okay.</p> <p>7 A. We did not have controlled substances in the</p> <p>8 Philadelphia distribution center.</p> <p>9 Q. Okay. What was your next position?</p> <p>10 A. I went to the Rite-Aid corporate office.</p> <p>11 Q. So that was sometime in 2008?</p> <p>12 A. Correct.</p> <p>13 Q. What was your job then?</p> <p>14 A. The job title was vice president of logistics.</p> <p>15 Q. How long did you hold that position?</p> <p>16 A. Until I retired in 2015.</p> <p>17 Q. Did you move through any iterations, like</p> <p>18 senior vice president or anything like that or you</p> <p>19 always stayed vice president?</p> <p>20 MS. McENROE: Objection to form.</p> <p>21 THE WITNESS: I stayed vice president.</p> <p>22 BY MR. PIFKO:</p> <p>23 Q. What were your job responsibilities as the</p> <p>24 vice president of logistics?</p> <p>25 A. During that time I was responsible for the --</p> | <p style="text-align: right;">Page 29</p> <p>1 A. The person in that position when I joined,</p> <p>2 when I first went to the corporate office, was named</p> <p>3 Kevin Mitchell. Subsequent to Kevin leaving, those</p> <p>4 responsibilities were taken over by Chris Belli, and</p> <p>5 after Chris left, the responsibilities were taken over</p> <p>6 by an individual by the name of Kevin Peterson; and, of</p> <p>7 course, they changed dramatically because Rite-Aid quit</p> <p>8 carrying pharmaceuticals in the distribution centers.</p> <p>9 Q. Do you know who Rite-Aid's primary supplier of</p> <p>10 controlled substances was?</p> <p>11 MS. McENROE: Objection to form.</p> <p>12 THE WITNESS: I'm sure if you're talking about</p> <p>13 in dollar value, it would have been McKesson. If</p> <p>14 you're talking about unit volume, I couldn't</p> <p>15 answer that because, you know, such a large</p> <p>16 proportion of the pharmacy product are generics,</p> <p>17 and there's a number of generic manufacturers.</p> <p>18 BY MR. PIFKO:</p> <p>19 Q. At various points in your tenure as vice</p> <p>20 president of logistics, did Rite-Aid purchase</p> <p>21 controlled substances directly from certain</p> <p>22 manufacturers?</p> <p>23 A. I don't know the answer to that.</p> <p>24 Q. Okay. So you know that they -- that Rite-Aid</p> <p>25 purchased controlled substances and other</p> |

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| <p style="text-align: right;">Page 30</p> <p>1 pharmaceutical products from McKesson?</p> <p>2 A. I do know that we purchased from McKesson,</p> <p>3 yes.</p> <p>4 Q. And then you just testified that you believe</p> <p>5 that -- you mentioned generics and that maybe there</p> <p>6 were other suppliers?</p> <p>7 A. There are other generic suppliers that we</p> <p>8 purchased product from besides McKesson.</p> <p>9 Q. Okay. Do you remember the names of any of</p> <p>10 those?</p> <p>11 A. You know, Teva is an example. I was not</p> <p>12 involved in the purchasing side at all. So, you know,</p> <p>13 our responsibility was more operational and executing</p> <p>14 it in the distribution center. So I couldn't tell you,</p> <p>15 quite honestly, who all of those were.</p> <p>16 Q. Okay. And that's okay. I was just asking for</p> <p>17 your best recollection, so --</p> <p>18 A. Yeah.</p> <p>19 Q. -- if you remembered any of the names, that's</p> <p>20 all I'm asking.</p> <p>21 A. As I said, Teva comes to mind. You know, I</p> <p>22 can't remember any of the other ones explicitly --</p> <p>23 specifically.</p> <p>24 Q. Did you ever meet with anybody from Teva?</p> <p>25 A. I did not.</p> | <p style="text-align: right;">Page 32</p> <p>1 liaison and coordinate activity at the</p> <p>2 distribution centers and to ensure compliance with</p> <p>3 all regulations to use as a resource with the</p> <p>4 folks in the corporate office.</p> <p>5 BY MR. PIFKO:</p> <p>6 Q. Okay. And what I'm trying to get at is if,</p> <p>7 when you say all regulations, if you're aware if that</p> <p>8 included the Controlled Substances Act?</p> <p>9 A. I am aware of that, yes.</p> <p>10 Q. Have you heard of the Controlled Substances</p> <p>11 Act before?</p> <p>12 A. Yes, I have.</p> <p>13 Q. When do you believe was the first time you</p> <p>14 heard that?</p> <p>15 A. Many years ago. I -- I couldn't -- I'm sure I</p> <p>16 was working for Eckerd's at the time, so --</p> <p>17 Q. Do you have an understanding about what</p> <p>18 diversion is?</p> <p>19 MS. McENROE: Objection to form.</p> <p>20 THE WITNESS: I do.</p> <p>21 BY MR. PIFKO:</p> <p>22 Q. Can you tell me what your understanding is?</p> <p>23 A. Diversion is when product is taken out of the</p> <p>24 supply chain when it's diverted from its intended</p> <p>25 target, its intended destination, its intended</p> |
| <p style="text-align: right;">Page 31</p> <p>1 Q. How about McKesson, did you ever meet with</p> <p>2 anyone from McKesson?</p> <p>3 A. I was in meetings with McKesson about some</p> <p>4 systems work later in my tenure there, but it wasn't</p> <p>5 related to controlled substances. It was about a data</p> <p>6 exchange basically, but -- but I never met with any of</p> <p>7 them about purchasing or anything of that nature; but I</p> <p>8 was -- I attended a meeting that -- that there were</p> <p>9 McKesson people at.</p> <p>10 Q. So you mentioned that, among the</p> <p>11 responsibilities of the regulatory compliance person</p> <p>12 who was one of the people who reported to you -- well,</p> <p>13 first of all, that's correct, that the regulatory</p> <p>14 compliance person reported to you when you were the</p> <p>15 vice president of logistics?</p> <p>16 MS. McENROE: Objection to form.</p> <p>17 THE WITNESS: That's correct.</p> <p>18 BY MR. PIFKO:</p> <p>19 Q. Okay. And so I believe you testified earlier</p> <p>20 that among those responsibilities that the regulatory</p> <p>21 compliance person had was the Controlled Substances</p> <p>22 Act, correct?</p> <p>23 MS. McENROE: Objection to form.</p> <p>24 THE WITNESS: What I said was that there --</p> <p>25 that individual's responsibility was to act as a</p> | <p style="text-align: right;">Page 33</p> <p>1 customer, to someone else in the supply chain.</p> <p>2 Q. Have you ever heard of the idea that someone</p> <p>3 is a registrant under the Controlled Substances Act?</p> <p>4 MS. McENROE: Objection to form.</p> <p>5 THE WITNESS: I have.</p> <p>6 BY MR. PIFKO:</p> <p>7 Q. Did you understand, when you were vice</p> <p>8 president of logistics, that Rite-Aid was a registrant</p> <p>9 under the Controlled Substances Act?</p> <p>10 A. I did.</p> <p>11 Q. How did you come to have that understanding?</p> <p>12 A. Well, the -- I'm familiar with the need for an</p> <p>13 individual location to be a registrant, to have a DEA</p> <p>14 registration number. So as a part of my knowledge in</p> <p>15 working in the chain drug industry as long as I did, I</p> <p>16 know that every store and every distribution center is</p> <p>17 registered, and it has a DEA registration number.</p> <p>18 Q. Have you ever heard of the phrase that a</p> <p>19 registrant has a duty to maintain effective controls to</p> <p>20 prevent diversion?</p> <p>21 MS. McENROE: Objection to form.</p> <p>22 THE WITNESS: I have heard that, yes.</p> <p>23 BY MR. PIFKO:</p> <p>24 Q. When you were VP of logistics, did you</p> <p>25 understand that locations that -- where Rite-Aid held a</p> |

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| <p style="text-align: right;">Page 34</p> <p>1 registration, that they had duties to maintain 2 effective controls to prevent diversion? 3 MS. McENROE: Objection to form. 4 THE WITNESS: I do understand -- or did 5 understand that, yes. 6 BY MR. PIFKO: 7 Q. Okay. Are you familiar with the activities 8 that occurred at Rite-Aid locations to carry out that 9 duty -- 10 MS. McENROE: Objection. 11 BY MR. PIFKO: 12 Q. -- to maintain effective controls to prevent 13 diversion? 14 MS. McENROE: Object to form. 15 THE WITNESS: I am familiar with -- with it, 16 yes. 17 BY MR. PIFKO: 18 Q. What is your understanding of what activities 19 were taken by Rite-Aid during the period when you were 20 VP of logistics in connection with the duty to prevent 21 diversion? 22 MS. McENROE: Object to the form. Calls for a 23 narrative. Can you break that down a little bit 24 more, Mr. Pifko? 25 BY MR. PIFKO:</p> | <p style="text-align: right;">Page 36</p> <p>1 limitations on the pharmacist's ability to modify 2 those orders. 3 So again, there was very tight controls on the 4 orders that were placed that were sent to the 5 distribution centers. Once it arrived at the 6 distribution center, we had kind of a couple of 7 things that were what I would characterize as a 8 kind of a last line of defense or a final step in 9 that. 10 We had a threshold above which no order would 11 be filled, and we also had given the assignment 12 and responsibility of the order fillers in the 13 controlled substance area, because they were 14 familiar with kind of the general flow and size of 15 orders, if they saw something they thought was 16 unusual, they had the authority to stop the order 17 and adjust and/or call the store to confirm 18 whether the order had been, you know, entered 19 correctly or created correctly, regardless of 20 whether it met or exceeded the threshold that I 21 mentioned. 22 So there was multiple components in place to 23 manage that and to ensure that no product was 24 diverted. 25 BY MR. PIFKO:</p> |
| <p style="text-align: right;">Page 35</p> <p>1 Q. Do you understand the question? 2 A. I -- I do. 3 Q. Okay. Can you give me an answer? 4 MS. McENROE: Can you ask something a little 5 bit more specific? 6 MR. PIFKO: Well, I'd like to hear his answer. 7 THE WITNESS: I guess the first thing that I 8 would say is Rite-Aid is a closed system. 9 Rite-Aid shipped only to its own -- our 10 distribution centers only shipped to Rite-Aid 11 stores. 12 So as a part of that, in terms of ensuring 13 there was no diversion, we -- we knew both the 14 from and the -- you know, the origination and the 15 destination of every shipment was a Rite-Aid 16 location; and in terms of the quantity of those 17 orders, there were a variety of controls. 18 The orders were created not by a human. They 19 were system created based on actual sales at a 20 store, actual scripts that were filled and product 21 that was consumed at a store. 22 So there wasn't a -- there wasn't a capability 23 of someone just to place an unusually large order 24 as a human to try to divert product. Pharmacists 25 were able to modify those orders, but there was</p> | <p style="text-align: right;">Page 37</p> <p>1 Q. Okay. So let's -- let's break that out a 2 little bit, and then I also want to ask you just before 3 we do that, so you -- you held the -- I asked you to 4 provide that answer in the time period of when you were 5 VP of logistics, and so that was a fairly long time 6 period where you held that position. 7 A. Yes. 8 Q. So I want to ask you, was the explanation that 9 you just provided, was that the same process that was 10 used during your entire tenure as VP of logistics? 11 A. To the best of my knowledge, it was. I wasn't 12 responsible for the store ordering component of it, but 13 I know generally how it worked, but -- so to the best 14 of my knowledge, it was, yes. 15 Q. Okay. So let's unpack some of the different 16 issues that you talked about. First, you said 17 something about -- you were talking about how -- the 18 way in which orders were placed at the store and how it 19 was based on product that was sold. Can you -- do 20 you -- 21 A. Well, actually -- I'm sorry. 22 MS. McENROE: Let him finish his question. 23 THE WITNESS: I'm sorry. Go ahead. 24 BY MR. PIFKO: 25 Q. Okay. Well, first of all, I just want to ask</p> |

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| <p style="text-align: right;">Page 38</p> <p>1 if you have familiarity with how the orders were placed 2 at a particular store. 3 MS. McENROE: Objection to form. 4 THE WITNESS: Okay. What I was going to say, 5 actually, the first thing I said was that Rite-Aid 6 was a closed system, that we only shipped to our 7 own stores. So certainly that -- there's an 8 inherent level of control there that perhaps other 9 shippers don't have. So that was the first thing 10 that I said.</p> <p>11 In answer to your question, you're -- you're 12 asking how was the inventory managed at the store, 13 or can you clarify that?</p> <p>14 BY MR. PIFKO:</p> <p>15 Q. Yeah. And to be clear, I'm just asking about 16 controlled substances right now.</p> <p>17 A. Okay. Can you repeat it then, please?</p> <p>18 Q. Yeah. And then let's also -- let me ask 19 another foundational question. Are you familiar that 20 under Federal law there's a scheduling of controlled 21 substances?</p> <p>22 A. I am.</p> <p>23 Q. Okay. And you understand there's Schedule 1 24 through 5?</p> <p>25 A. I am.</p> | <p style="text-align: right;">Page 40</p> <p>1 A. Okay. 2 Q. So it's your understanding that a lower 3 numbered scheduled substance is more prone to abuse 4 than a higher number scheduled substance; is that 5 correct?</p> <p>6 MS. McENROE: Objection to form.</p> <p>7 THE WITNESS: That would be my impression, 8 yes.</p> <p>9 BY MR. PIFKO:</p> <p>10 Q. And then what's the basis for that 11 understanding?</p> <p>12 A. The degree of control that's required for the 13 varying schedule levels and mandated by the DEA.</p> <p>14 Q. Have you ever read DEA regulations concerning 15 handling of controlled substances?</p> <p>16 A. I have.</p> <p>17 Q. Okay. Have you ever read portions of the 18 Controlled Substances Act?</p> <p>19 A. I may have. I -- I don't know for sure. I 20 can't say with certainty that I have. I know I have 21 read the CFR, some portions of that, so --</p> <p>22 Q. What was the context in which you've read the 23 portions of the CFR?</p> <p>24 A. When we've done work in distribution centers 25 to construct pharmacy areas and ensure that -- it was</p> |
| <p style="text-align: right;">Page 39</p> <p>1 Q. Okay. And do you have an understanding about 2 what the different levels are in the scheduling?</p> <p>3 MS. McENROE: Objection to form.</p> <p>4 THE WITNESS: Yes. I have an understanding 5 in -- and as you, I'm sure, know, Rite-Aid did not 6 ship Schedule 2 substances out of our distribution 7 centers.</p> <p>8 BY MR. PIFKO:</p> <p>9 Q. Okay. What's your understanding of the 10 differences in the scheduling? What's the difference 11 between, for example, something that's a Schedule 2 12 versus a Schedule 3?</p> <p>13 MS. McENROE: Objection to form.</p> <p>14 THE WITNESS: I -- my general understanding 15 would be, I would expect that it's more 16 susceptible to -- a Schedule 2 is more susceptible 17 to abuse than a Schedule 3, but I don't know that. 18 I'm not a pharmacist, so --</p> <p>19 BY MR. PIFKO:</p> <p>20 Q. Okay. And that's -- all I'm asking you today 21 is to give your best ability to answer. So just --</p> <p>22 A. Okay.</p> <p>23 Q. I'm not asking you to be an expert in 24 anything. If you know something, you tell me. If you 25 don't -- okay?</p> | <p style="text-align: right;">Page 41</p> <p>1 to ensure that the physical security aspects were met 2 properly.</p> <p>3 Q. When you say "physical security," what do you 4 mean by that?</p> <p>5 A. That it's kind of as a general statement, the 6 areas where you pick controlled substances have to be 7 contained within a cage, and there's, you know, some 8 specifications about the wire gauge and how big the 9 holes can be in the cage and things of that -- and the 10 fencing and things of that nature, so --</p> <p>11 Q. So let's go back to the -- the placing of an 12 order.</p> <p>13 A. Okay.</p> <p>14 Q. When you were explaining to me the -- that 15 there were some sort of limitations on placing of 16 orders, I'd like you to explain that, your 17 understanding of how an order was placed at a pharmacy 18 for -- you said that Rite-Aid didn't ship -- or it 19 didn't distribute Schedule 2 substances, so let's just 20 talk about Schedule 3 substances.</p> <p>21 A. Okay.</p> <p>22 MS. McENROE: Objection to form.</p> <p>23 BY MR. PIFKO:</p> <p>24 Q. Let me just ask a better question. So my 25 question to you is, with respect to Schedule 3</p> |

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| Page 42 | Page 44 |
| <p>1 substances, do you understand how an order was placed 2 at a particular pharmacy location at a store to a 3 distribution center?</p> <p>4 MS. McENROE: Objection to form.</p> <p>5 THE WITNESS: My understanding is that for all 6 pharmacy products, it was a computerized ordering 7 system. They created an order based on the demand 8 for that item and the on-hand balance in -- in the 9 store; and the demand obviously is a function of 10 the sales or the -- and the use -- in the instance 11 of a pharmaceutical product, of its consumption 12 when filling scripts.</p> <p>13 So it was a computerized algorithm that took 14 into account the on-hand balance and the rate of 15 sale for that product to calculate an efficient 16 order quantity.</p> <p>17 BY MR. PIFKO:</p> <p>18 Q. Okay. So there's a computer system at a 19 particular pharmacy location in the store. Yes?</p> <p>20 A. Well, there's --</p> <p>21 MS. McENROE: Objection to form.</p> <p>22 THE WITNESS: I'm sorry. There's a mainframe 23 that actually -- you know, the computer was not -- 24 did not reside at a -- at an individual store, 25 so --</p> | <p>1 THE WITNESS: There is and was an IT 2 department that was responsible for maintaining 3 both the hardware and the software.</p> <p>4 BY MR. PIFKO:</p> <p>5 Q. And then just the IT department, is there any 6 other special name?</p> <p>7 A. No. No.</p> <p>8 Q. So under this system, the computer, the 9 mainframe is looking at how much product is moving 10 through the store and seeing the rate at which product 11 is being taken off the shelves and comparing that to 12 the inventory on hand and then automatically putting in 13 an order so that you can ensure that the location has 14 enough product to fulfill the demand; is that correct?</p> <p>15 MS. McENROE: Objection to form.</p> <p>16 THE WITNESS: Yes. The goal was to ensure 17 that we satisfied our customers. I mean, it's 18 a -- it's -- you know, you can imagine it's -- the 19 key component of our business is to make sure that 20 we get the medications and the medicines in the 21 hands of our customers, so yes.</p> <p>22 BY MR. PIFKO:</p> <p>23 Q. Okay. So an order through that system gets 24 placed by a store to a distribution center, correct?</p> <p>25 A. Correct.</p> |
| Page 43 | Page 45 |
| <p>1 BY MR. PIFKO:</p> <p>2 Q. Okay.</p> <p>3 A. But the store connected to the computer 4 system, yes.</p> <p>5 Q. Okay. Is there a name for the software that 6 managed the ordering system, do you know?</p> <p>7 A. I would assume that there is, but I don't know 8 what it is.</p> <p>9 Q. Okay.</p> <p>10 A. So --</p> <p>11 Q. And it's your understanding that the mainframe 12 system was located somewhere centralized?</p> <p>13 A. Correct.</p> <p>14 Q. Okay. And was that same system used for all 15 the Rite-Aid stores?</p> <p>16 A. That is my understanding, yes.</p> <p>17 Q. Do you know where -- physically where that 18 system was located?</p> <p>19 A. In Camp Hill, Pennsylvania, so -- or there -- 20 in the greater Camp Hill area. Maybe I should, you 21 know, be more precise with that, so --</p> <p>22 Q. Is there a department or division of the 23 company that was responsible for maintaining that 24 process?</p> <p>25 MS. McENROE: Objection to form.</p> | <p>1 Q. And are you familiar with the process by which 2 an order is received at a distribution center?</p> <p>3 MS. McENROE: Objection to form.</p> <p>4 THE WITNESS: I am.</p> <p>5 BY MR. PIFKO:</p> <p>6 Q. Okay. And I want to be clear. I know you 7 had -- you were a general manager of several 8 distribution centers. I'm just talking about Schedule 9 3 controlled substances right now. Okay?</p> <p>10 A. Okay.</p> <p>11 Q. So with respect to a Schedule 3 controlled 12 substance, when an order comes in to a distribution 13 center, how -- how does that happen?</p> <p>14 MS. McENROE: Objection to form.</p> <p>15 THE WITNESS: The distribution centers operate 16 on a type of software that's called -- the acronym 17 you will hear is a WMS. It stands for Warehouse 18 Management System; and the warehouse management 19 system is what creates and manages orders, manages 20 receipts of goods in the receiving department, the 21 storage of product, you know, all of the various 22 facets of operating a distribution center.</p> <p>23 So the order would be transmitted or would 24 move through the portion of the mainframe that 25 created the order into the Warehouse Management</p> |

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| <p style="text-align: right;">Page 46</p> <p>1 System for the particular distribution center 2 that -- that -- that serviced that store; and part 3 of the ware -- as part of the Warehouse Management 4 System, it would be routed to the pharmacy pick 5 area.</p> <p>6 BY MR. PIFKO:</p> <p>7 Q. So is it correct that a specific distribution 8 center is responsible for all products at certain 9 specific stores?</p> <p>10 MS. McENROE: Objection to form.</p> <p>11 THE WITNESS: No, it is not.</p> <p>12 BY MR. PIFKO:</p> <p>13 Q. Okay. So let's explain that. Is it possible, 14 within Rite-Aid systems, for more than one distribution center to send product to a particular store?</p> <p>16 MS. McENROE: Objection to form.</p> <p>17 THE WITNESS: It is.</p> <p>18 BY MR. PIFKO:</p> <p>19 Q. Are you familiar with the process of how an 20 order is sent to one distribution center or another?</p> <p>21 A. I am.</p> <p>22 Q. Okay. What's your understanding of that?</p> <p>23 A. Rite-Aid kind of categorized products in -- in 24 big picture, and there's kind of three types of 25 products. There were Rx products; there were what were</p> | <p style="text-align: right;">Page 48</p> <p>1 Q. Some front-end product from that distribution 2 center is placed on the loading dock to be put on a 3 truck to go to a particular store; is that correct?</p> <p>4 MS. McENROE: Objection to form.</p> <p>5 THE WITNESS: Product, yes. Product from -- 6 is selected by Philadelphia, which would be the 7 front-end product, would be put on the loading 8 dock, yes.</p> <p>9 BY MR. PIFKO:</p> <p>10 Q. Okay. And if a store that's fulfilled by the 11 Philadelphia center needs controlled substances and the 12 Philadelphia center doesn't provide that, that comes in 13 on another truck from another distribution center to 14 the Philadelphia distribution center; is that correct?</p> <p>15 MS. McENROE: Objection to form.</p> <p>16 THE WITNESS: That is correct.</p> <p>17 BY MR. PIFKO:</p> <p>18 Q. Okay. And so that pallet or pallets of goods 19 then is merged in with the other goods from the 20 Philadelphia center; is that correct?</p> <p>21 MS. McENROE: Objection to form.</p> <p>22 THE WITNESS: It's not quite that simple. 23 There is a -- in each of the distribution centers 24 there were what are called cross-dock cages that 25 were approved and inspected by the DEA, and the</p> |
| <p style="text-align: right;">Page 47</p> <p>1 called CP products for centralized products, and there 2 were front-end products; and every distribution center 3 stocked the front-end products.</p> <p>4 A subset of the distribution centers stocked 5 the CP and the pharmacy products. So a store that 6 would -- whose trucks originated at a DC that only 7 stocked front-end products, like the Philadelphia one 8 that I managed, got their CP and pharmacy products from 9 another distribution center.</p> <p>10 That product was select -- the orders were 11 selected and picked and packed at the other 12 distribution center, sent to the front-end distribution 13 center. So they would have been sent to Philadelphia, 14 and they would have been cross-docked and merged with 15 the product that Philadelphia picked for that store for 16 the load to be completed for delivery to the store.</p> <p>17 Q. So when you say -- you used the term 18 "cross-docked." So that means -- so for -- let's talk 19 about the, as an example, the Philadelphia location. 20 So there's a truck that's going to go to a particular 21 store that's filled with what you would call front-end 22 product, correct?</p> <p>23 MS. McENROE: Objection to form. Is there a 24 question there? Yeah.</p> <p>25 BY MR. PIFKO:</p> | <p style="text-align: right;">Page 49</p> <p>1 DEA approved our procedures around those 2 cross-dock cages.</p> <p>3 So the product, when it came from the pharmacy 4 distribution center, didn't go to the loading 5 dock. It went to the cross-dock cage, and it was 6 counted and tallied as it went into the cross-dock 7 cage; and then when it came out of the cross-dock 8 cage to go onto the outbound load, it was -- the 9 counts were verified, and so there was a final 10 count of totes that were put on out of the 11 cross-dock cage, you know, onto -- there was a 12 final count that was part of the loading manifest 13 for that final delivery.</p> <p>14 BY MR. PIFKO:</p> <p>15 Q. Okay. So when you have a distribution center 16 that doesn't provide its own controlled substances and 17 it has to get them from another distribution center, 18 all the controlled substances that come in are put in a 19 separate area until they're ultimately loaded on a 20 truck?</p> <p>21 MS. McENROE: Objection to form.</p> <p>22 THE WITNESS: All of the pharmacy product, all 23 of it is --</p> <p>24 BY MR. PIFKO:</p> <p>25 Q. Okay.</p> |

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| <p style="text-align: right;">Page 50</p> <p>1 A. -- is in a -- was in a cross-dock cage.</p> <p>2 Q. Okay.</p> <p>3 A. Again, it was -- the entire process was</p> <p>4 approved by the DEA. They gave -- approved the</p> <p>5 specifications when the cross-dock cages were</p> <p>6 constructed, inspected, and approved them for use</p> <p>7 before they were put into use.</p> <p>8 Q. So when an order is getting put on a truck,</p> <p>9 there's -- there's some sort of manifest of what's</p> <p>10 supposed to go into that truck?</p> <p>11 MS. McENROE: Objection to form.</p> <p>12 THE WITNESS: There is a -- are you -- are you</p> <p>13 talking specifically about pharmacy products?</p> <p>14 BY MR. PIFKO:</p> <p>15 Q. Well, in general, any products. A truck is</p> <p>16 going to go to a store. How do you know what to put on</p> <p>17 that truck?</p> <p>18 MS. McENROE: Objection to form.</p> <p>19 THE WITNESS: There are -- for the front-end</p> <p>20 products, those are packed and palletized by</p> <p>21 selectors in the front-end distribution center.</p> <p>22 There was not necessarily a -- and it depended on</p> <p>23 the distribution center because they had different</p> <p>24 systems at different locations; but there wasn't</p> <p>25 necessarily, for front-end product, a specific</p> | <p style="text-align: right;">Page 52</p> <p>1 they're supposed to get, correct.</p> <p>2 BY MR. PIFKO:</p> <p>3 Q. Okay. So they go and get that, and then as</p> <p>4 they're loading the truck, they put that in there?</p> <p>5 A. Correct.</p> <p>6 Q. Let's back up to the actual pharmacy location</p> <p>7 again. So we talked about the automated system where</p> <p>8 you have the computer algorithms that's monitoring</p> <p>9 demand and product moving out of the store and checking</p> <p>10 the inventory. Do you recall that discussion?</p> <p>11 A. I do.</p> <p>12 MS. McENROE: Objection to form.</p> <p>13 BY MR. PIFKO:</p> <p>14 Q. So do you have familiarity with how the</p> <p>15 inventory is inputted into the -- at the pharmacy is</p> <p>16 inputted into that computer system?</p> <p>17 MS. McENROE: Objection to form.</p> <p>18 THE WITNESS: I -- that wasn't my area of</p> <p>19 responsibility. I -- I -- my general</p> <p>20 understanding is that the orders that were shipped</p> <p>21 were received into the distribution -- into the</p> <p>22 inventory of the store based on the projected</p> <p>23 delivery date from the distribution center, but</p> <p>24 I'm not an expert on that system.</p> <p>25 BY MR. PIFKO:</p> |
| <p style="text-align: right;">Page 51</p> <p>1 tally that said, you know, you're getting 112</p> <p>2 totes, you know, 68 boxes, things of that nature.</p> <p>3 The way that operated is everything came</p> <p>4 through the conveyor system to the shipping</p> <p>5 department and was controlled -- there was a</p> <p>6 mechanism to control that you knew when a wave of</p> <p>7 stores were finished so that you knew you had all</p> <p>8 the picks for that store and it was complete; but</p> <p>9 there was not a tally, you know, a count of totes,</p> <p>10 for example, of front-end product.</p> <p>11 Now, pharmacy product, there absolutely was.</p> <p>12 There was a specific count that was signed for</p> <p>13 when the cross-dock DC, you know, came into the</p> <p>14 cross-dock DC. The counts were verified. They</p> <p>15 were verified when they were loaded onto the</p> <p>16 truck, and they were signed for when they were</p> <p>17 delivered to the store.</p> <p>18 BY MR. PIFKO:</p> <p>19 Q. Okay. And so when someone is loading that</p> <p>20 onto the truck, there's some sort of indication that</p> <p>21 you're supposed to go to the pharmacy cage and get</p> <p>22 products?</p> <p>23 A. And they know how many totes --</p> <p>24 MS. McENROE: Objection to form.</p> <p>25 THE WITNESS: And they know how many totes</p> | <p style="text-align: right;">Page 53</p> <p>1 Q. Okay. But what I'm trying to understand is,</p> <p>2 you said it's an algorithm that's sort of checking the</p> <p>3 rate of products moving versus what's sitting on the</p> <p>4 shelf in the pharmacy, correct?</p> <p>5 A. Correct.</p> <p>6 Q. And so what I'm trying to understand is, how</p> <p>7 does the computer know what's sitting on the shelf, if</p> <p>8 you know that?</p> <p>9 A. My understanding is that there -- we knew what</p> <p>10 day a store was -- the delivery would take place for</p> <p>11 that store. We knew the contents of the pharmacy</p> <p>12 totes, and we knew how many pharmacy totes that they</p> <p>13 received -- or that were shipped to them.</p> <p>14 On the day that the delivery took place to</p> <p>15 that store, the pharmacy's -- my understanding is that</p> <p>16 the pharmacy's inventory was updated with the contents</p> <p>17 of those totes.</p> <p>18 Q. Okay. So it's essentially automated updating</p> <p>19 based on the materials that are coming in. The</p> <p>20 computer knows that 10 items came in, so it just adds</p> <p>21 10 items to the known inventory; is that correct?</p> <p>22 MS. McENROE: Objection to form.</p> <p>23 THE WITNESS: That is my understanding.</p> <p>24 BY MR. PIFKO:</p> <p>25 Q. Okay. So then let's talk about how the orders</p> |

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| <p style="text-align: right;">Page 54</p> <p>1 came in to the distribution center again. For -- I 2 asked you and I kind of understood, but I think we can 3 get a clearer record. 4 With respect to Schedule 3 controlled 5 substances, when a specific pharmacy needs to fill 6 their inventory, does that order always get placed to 7 the same distribution center for pharmaceutical 8 products, or can it get bumped around to different 9 distribution centers? 10 MS. McENROE: Objection to form. 11 THE WITNESS: There is a fixed relationship 12 between a store and its servicing DC or DCs. 13 However, that can change over time; but at any 14 point in time, a store would only receive pharmacy 15 product from one Rite-Aid distribution center. 16 BY MR. PIFKO: 17 Q. Is it possible that if the distribution center 18 is out of a product that's ordered or low on it, that 19 that order could then be kicked over to another 20 distribution center? 21 MS. McENROE: Objection to form. 22 THE WITNESS: It was not. That was not our 23 process. 24 BY MR. PIFKO: 25 Q. Okay. And then I think I asked you this</p> | <p style="text-align: right;">Page 56</p> <p>1 at any particular time? 2 MS. McENROE: Objection to form. 3 THE WITNESS: It could. It would contain all 4 of the items that were part of the order that they 5 were expected to place on that day. 6 BY MR. PIFKO: 7 Q. So your understanding -- you understand that 8 in connection with the lawsuit, certain documents were 9 collected from Rite-Aid? 10 A. I do. 11 Q. Okay. And some of those included documents 12 from your E-mail. Do you understand that? 13 A. I do. 14 Q. Okay. So I've looked at some of those 15 documents. I've seen that some stores were called 16 weekly and some were called biweekly; is that correct? 17 A. Correct. 18 Q. Okay. And that means that a truck would come 19 to them weekly or biweekly; is that correct? 20 A. Correct. 21 Q. And so the automated system was set up to fill 22 orders as needed, either weekly or biweekly; is that 23 correct? 24 MS. McENROE: Objection to form. 25 THE WITNESS: To the best of my knowledge,</p> |
| <p style="text-align: right;">Page 55</p> <p>1 before, but do you know the name of the ordering 2 software that was used? 3 A. In the -- to create the store orders? 4 Q. Well, the computer system that facilitated the 5 ordering between the stores and the distribution 6 centers. 7 A. I don't. I -- no, I don't. 8 Q. You talked about a warehouse management 9 system. Do you recall saying that? 10 A. Yes. 11 Q. Okay. Is that just a generic name for a type 12 of software? 13 A. It is. 14 Q. Okay. That's not a specific company or -- 15 A. No. 16 Q. -- brand or anything like that? 17 A. No, it is not. 18 Q. So an order gets placed into a distribution 19 center, and then that -- that distribution center 20 receives that via computer? 21 MS. McENROE: Objection to form. 22 THE WITNESS: Correct. 23 BY MR. PIFKO: 24 Q. And then is the order from a pharmacy, would 25 that contain a whole host of items that they might need</p> | <p style="text-align: right;">Page 57</p> <p>1 yes. 2 BY MR. PIFKO: 3 Q. Okay. So an order that comes into the 4 distribution center contains all the various items the 5 store might need, either on a weekly or biweekly basis, 6 correct? 7 MS. McENROE: Objection to form. 8 THE WITNESS: Yes. 9 BY MR. PIFKO: 10 Q. Okay. And then there's -- you testified 11 earlier that there's different areas within the 12 distribution center where an order could be filled, 13 correct? 14 MS. McENROE: Objection to form. 15 THE WITNESS: Correct. 16 BY MR. PIFKO: 17 Q. And so one of those areas is pharmacy, 18 correct? 19 A. Correct. 20 Q. So when an order comes in from a location, is 21 it somehow then divided into, okay, these people need 22 to look at this portion of the order and these people 23 need to look at this portion of the order? 24 MS. McENROE: Objection to form. 25 THE WITNESS: The -- all of the items that the</p> |

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| <p>1 distribution center will select for -- would 2 select for a store, would fill for a store, have a 3 defined pick location within the distribution 4 center. 5 So the orders are broken out according to pick 6 locations, and so all of the orders that involve 7 pharmaceutical products would be broken out by the 8 pick locations that were assigned to those 9 pharmaceutical products and sent to the area to 10 pick pharmaceuticals.</p> <p>11 BY MR. PIFKO:</p> <p>12 Q. When you say "sent to the area," does that 13 mean it's loaded onto a computer terminal in that area, 14 or is there a physical piece of paper that gets printed 15 out? Are you familiar with that process?</p> <p>16 A. It's -- we used a system called pick-to-light. 17 So it was a computerized system and -- with a display 18 at each pick location that would tell you the quantity 19 to pick, and so it was sent to the pick-to-light 20 system.</p> <p>21 Q. So if you're an employee who's responsible for 22 fulfilling an order, is there a name for that type of 23 employee?</p> <p>24 MS. McENROE: Objection to form.</p> <p>25 THE WITNESS: It would be an order selector.</p> | <p>1 contain product. 2 On -- each of those shelves are subdivided 3 into pick locations that I -- as I mentioned 4 earlier that are defined for a specific product. 5 Each of those locations has a light in front of 6 it, an LED display that is intended to be able to 7 display the pick quantity for that skew for the 8 store that you're selecting; and then there's 9 another overall display for the order that you're 10 selecting.</p> <p>11 So at the beginning of the pick area, you pick 12 up a tote, you'd scan the tote. It would tell 13 you, okay, now you're on Order 1234567. It knows 14 that that tote that you're using is associated 15 with that order, and it would light the lights for 16 you to go and pick the individual products.</p> <p>17 BY MR. PIFKO:</p> <p>18 Q. Okay. And then how -- are you familiar with 19 how the lights relate to quantity?</p> <p>20 A. The lights displayed the quantity, so --</p> <p>21 Q. Okay. So --</p> <p>22 A. They would display two if you were to pick two 23 bottles. They would display one if you were to pick 24 one.</p> <p>25 Q. Okay. I thought you said something about</p> |
| <p style="text-align: center;">Page 59</p> <p>1 I mean -- yes.</p> <p>2 BY MR. PIFKO:</p> <p>3 Q. Okay.</p> <p>4 A. A pharmacy order selector, so --</p> <p>5 Q. So a Schedule 3 controlled substance order 6 comes in. The order selector, they have to go to a 7 computer terminal and determine what orders they're 8 supposed to fill?</p> <p>9 MS. McENROE: Objection to form.</p> <p>10 THE WITNESS: The orders automatically load 11 into the pick-to -- or are automatically loaded 12 into the pick-to-light system. So they're queued 13 up for the order selector, and so they would 14 basically just start with the first order that was 15 in the system for them, if that makes sense.</p> <p>16 BY MR. PIFKO:</p> <p>17 Q. Yeah. And I'm just trying to visualize. So 18 I'm a worker in the distribution center. Do I have a 19 handheld terminal, or I go to, like, a desk where 20 there's -- the orders are laid out for me? How do I 21 know what I'm supposed to do?</p> <p>22 MS. McENROE: Objection to form.</p> <p>23 THE WITNESS: You go to a picking module, and 24 there are, in that picking module -- and by 25 "picking module" I mean a set of shelves that</p> | <p style="text-align: center;">Page 61</p> <p>1 color, did I mishear you, of the light?</p> <p>2 A. I don't recall saying that.</p> <p>3 Q. Okay.</p> <p>4 A. I said LED. They were LED lights, yeah.</p> <p>5 Q. Okay. So I'm an order filler.</p> <p>6 A. Order selector.</p> <p>7 Q. Okay. I'm an order selector, and I type in 8 I'm going to fill pharmaceutical products for Store 9 12345 into the computer, and then it lights up all the 10 different boxes I need to go to to put into the tote?</p> <p>11 A. In effect. I mean, you scan a tote to start 12 the order. You go into the area. An order is queued 13 up in the area that you're working in. When you scan a 14 tote to start an order, it knows, okay, the order that 15 I have queued up on this display is the order for this 16 tote that they're -- this individual is beginning to 17 work in. So that's kind of the general.</p> <p>18 Q. Okay. And then as I move down the aisle, I 19 see areas that are lit up, and it has a number next to 20 it?</p> <p>21 A. Correct.</p> <p>22 Q. And then there's a, like, a bin, like you 23 said, and I grab the number of items that are lit up on 24 the light and put it into the tote?</p> <p>25 A. Correct. And then you'd press a button to</p> |

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| <p style="text-align: right;">Page 62</p> <p>1 confirm that you picked it, and it puts the -- the 2 display then goes away. 3 Q. And then when I've completed that, I put the 4 tote somewhere? 5 A. There's a -- 6 MS. McENROE: Object to form. 7 THE WITNESS: There's a conveyor system that 8 takes the tote away from the pharmacy area. 9 MS. McENROE: Mr. Pifko, if we get to a good 10 time to stop for a break, we've been going about 11 an hour. 12 MR. PIFKO: Yeah. We can take a break right 13 now. 14 MS. McENROE: Great. Thank you. 15 MR. PIFKO: Thanks. 16 THE VIDEOGRAPHER: Off the record, 10:40 a.m. 17 (Brief recess was taken.) 18 THE VIDEOGRAPHER: On the record, 10:53 a.m. 19 BY MR. PIFKO: 20 Q. I forgot to ask you before we started: Have 21 you ever been deposed before? 22 A. I have not. 23 Q. All right. What did you do to prepare for 24 this deposition? 25 A. I had a telephone call with our attorneys last</p> | <p style="text-align: right;">Page 64</p> <p>1 Q. Okay. So let's go back to our discussion 2 about the order process. 3 A. Okay. 4 Q. Does the -- so this -- we talked about the 5 system where an order is placed with the pharmacy is 6 automated, correct? 7 A. Correct. 8 Q. Does the -- I keep forgetting the name of the 9 person -- the order -- I'm going to write it down. 10 A. Order selector. 11 Q. Order selector. Does the order selector have 12 any ability -- ability to deviate from the items that 13 the -- that the automated system is lighting up and 14 telling them to pick? 15 A. To add additional items? No. 16 Q. How about to subtract items? 17 A. They can -- they can adjust the quantity down 18 for an item. They can't delete an item from the 19 record; but, if they were unable to pick an item or, as 20 I mentioned earlier, we had controls in place involving 21 thresholds that couldn't be exceeded, if the order 22 quantity that initially came in exceeded that, they had 23 the ability to adjust the quantity down, but they 24 couldn't remove an item from the record, if that's your 25 question.</p> |
| <p style="text-align: right;">Page 63</p> <p>1 Monday and then had some meetings yesterday -- or met 2 with them yesterday. 3 Q. When was the -- and when you say your 4 attorneys, you mean the woman next to you? 5 A. Yeah. I mean John, Kelly, and Elisa, correct. 6 Q. Okay. When was the first time that you heard 7 you were going to be deposed in connection with this 8 case? 9 A. It was a few months ago. I couldn't tell you 10 the exact date, but it was some -- a few months ago. 11 Q. I talked to you earlier about documents and 12 the idea that certain documents were collected for the 13 litigation. Did you do anything to look and see if you 14 had any documents, aside from those that might be 15 maintained at the company? 16 A. You're asking did I check at home to see if 17 I -- 18 Q. Yes. 19 A. I do not have any documents at home related to 20 my employment at Rite-Aid. The only -- let me correct 21 that. The only documents I have related to my 22 employment at Rite-Aid are related to my retirement. 23 You know, I have things about my 401(k). 24 Q. Nothing related to the case? 25 A. But nothing related to the case, no.</p> | <p style="text-align: right;">Page 65</p> <p>1 Q. Okay. Well, let's -- let's talk about the -- 2 more details of that. Okay? 3 A. Okay. 4 Q. So if an item -- I think what you just said, 5 if an item, if there's not enough of it in the 6 container when they go to pick it, that might be a 7 reason that they'd have to put less in there? 8 A. They could adjust an order down if we were out 9 of stock or, for some reason, unable to fill that item, 10 that order, yes. 11 Q. And then -- but -- okay. So that isn't really 12 up to them. It's just if they go to -- it says pick 10 13 items and there's only nine in there, that's all 14 they -- they just pick what they can and then they 15 write in the computer that it was out of stock? 16 MS. McENROE: Objection to form. 17 THE WITNESS: If -- if they're unable to 18 fulfill the entire order quantity on the 19 pick-to-light display, the module that is 20 underneath the pick location, there's an ability 21 for them to adjust down. 22 As I mentioned earlier, when they pick, if 23 they pick complete, they indicate they pick 24 complete, confirm it, and the light goes out. If 25 they pick less than complete, they reduce the</p> |

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| <p style="text-align: right;">Page 66</p> <p>1 quantity and confirm it, and the light goes out.</p> <p>2 BY MR. PIFKO:</p> <p>3 Q. And then you mentioned that there are -- there 4 were order thresholds for controlled substances that 5 couldn't be exceeded, correct?</p> <p>6 A. There was an order threshold, yes, a single 7 value, yes.</p> <p>8 Q. Okay. Are you familiar with the thresholds?</p> <p>9 MS. McENROE: Objection to form.</p> <p>10 THE WITNESS: I -- I am.</p> <p>11 BY MR. PIFKO:</p> <p>12 Q. Did all the stores have the same threshold?</p> <p>13 MS. McENROE: Objection to form.</p> <p>14 THE WITNESS: It was generally true there was 15 a single threshold. There were a very small 16 number of stores that, after evaluation and 17 analysis by our government affairs department, 18 were defined as exceptions and could get greater 19 quantities than the threshold; but there was a 20 process that they had to go through.</p> <p>21 You know, the government affairs department 22 looked at the movement, the location of the store, 23 the movement of the items, the history, that type 24 of thing, and then an exception could be granted; 25 but there was a very, very small number of those</p> | <p style="text-align: right;">Page 68</p> <p>1 THE WITNESS: That is correct.</p> <p>2 BY MR. PIFKO:</p> <p>3 Q. Let's talk about breaking out the thresholds a 4 little bit. Do you have an understanding, were there 5 thresholds for different types of products?</p> <p>6 A. No.</p> <p>7 Q. Okay. So all Schedule 3s at all stores, other 8 than this handful of stores, all had the same 9 threshold?</p> <p>10 A. Correct.</p> <p>11 Q. Do you know what the threshold was?</p> <p>12 A. I believe it was 5,000 dosage units. So if it 13 was, you know, a bottle of a hundred, the quantity 14 would be 50.</p> <p>15 Q. And do you --</p> <p>16 A. I believe that's correct.</p> <p>17 Q. Do you have an understanding about how that 18 threshold was established?</p> <p>19 A. I do not. That threshold was in place when I 20 joined Rite-Aid, so I -- I don't know the history of 21 that. I -- I generally understand there was an 22 analysis done of order volumes and demand; but I -- as 23 I said, it was in place when I joined Rite-Aid, so I 24 don't have the details of how it was established.</p> <p>25 Q. And so if an order came in from the automated</p> |
| <p style="text-align: right;">Page 67</p> <p>1 exceptions.</p> <p>2 BY MR. PIFKO:</p> <p>3 Q. Do you have a time frame on the exceptions?</p> <p>4 MS. McENROE: Objection to form.</p> <p>5 THE WITNESS: I'm not sure I understand the 6 question.</p> <p>7 BY MR. PIFKO:</p> <p>8 Q. Okay. So I'm asking, again, we took a break, 9 so I want to be clear about that. I'm asking -- these 10 questions are about the time period when you were VP of 11 logistics. Okay?</p> <p>12 A. Okay.</p> <p>13 Q. So you said that there was a very small number 14 of stores that had a higher threshold, correct?</p> <p>15 A. Correct.</p> <p>16 Q. Do you know the, roughly, the time periods 17 when those stores moved into a period when they had 18 this higher threshold?</p> <p>19 MS. McENROE: Objection to form.</p> <p>20 THE WITNESS: I do not.</p> <p>21 BY MR. PIFKO:</p> <p>22 Q. But aside from that small handful, all stores 23 had the same threshold for controlled substances; is 24 that correct?</p> <p>25 MS. McENROE: Objection to form.</p> | <p style="text-align: right;">Page 69</p> <p>1 system that exceeded the threshold, the order selector, 2 how would they know that it exceeded the threshold?</p> <p>3 A. By what it displayed on the pick-to-light 4 module.</p> <p>5 Q. So the pick-to-light module would 6 automatically adjust down the order to meet the 7 threshold?</p> <p>8 A. No. The order selector adjusted the order 9 down.</p> <p>10 Q. Okay. So how did the order -- did the order 11 selector know what the threshold -- where a store was 12 in terms of a threshold and how the order needed to be 13 adjusted down?</p> <p>14 A. Well, again, using the example I just gave, if 15 the product was in bottles of a hundred, they would 16 know they couldn't bill more than 50, you know, 17 assuming that the threshold was 5,000, which I believe 18 it was, they couldn't bill more than 50. So if an 19 order came in for 55, they would adjust it down to 50.</p> <p>20 Q. And then I think maybe some of my confusion 21 was, I needed to ask some more questions about the -- 22 how the threshold works. So the threshold, is that -- 23 was that a weekly threshold?</p> <p>24 A. It was on the order that was received, so it 25 was on that order. As you mentioned earlier, some</p> |

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| <p style="text-align: right;">Page 70</p> <p>1 stores were biweekly stores, so they only got product 2 every other week. So it was on the order. 3 Q. So the threshold was based on the period for 4 which an order would be filled for that store? 5 A. The threshold was per order, correct. 6 Q. And you said all the stores had 5,000? 7 A. That's my understanding, yes. 8 Q. What about for -- 9 A. Except the exception stores that we mentioned, 10 so -- 11 Q. So for a store that was biweekly, was there a 12 threshold half of 5,000 or their threshold was 5,000 as 13 well? 14 A. The threshold was 5,000 for all stores, to the 15 best of my knowledge, other than the exception stores 16 that went through a process to get an exception granted 17 through our government affairs department. 18 Q. And so that 5,000 was for a specific order, 19 correct? 20 MS. McENROE: Objection to form. 21 THE WITNESS: It was per order for that 22 particular -- in other words, you're looking at 23 the order today. You're not allowed to ship them 24 more than 5,000 units. 25 BY MR. PIFKO:</p> | <p style="text-align: right;">Page 72</p> <p>1 5,001, but you could get an order -- because the 2 orders were in units, in bottles that we shipped 3 or whatever the shipping container was. 4 So, you know, it wouldn't say 5 -- I guess my 5 point is, it wouldn't say 5,001. It would say 51 6 bottles, and they would know to adjust it to 50. 7 BY MR. PIFKO: 8 Q. Okay. And so they would adjust it down to the 9 next -- the closest you would get to 5,000, based on 10 the particular volume of a bottle? 11 A. Correct. They would adjust it to the 12 threshold that was established based on the quantity 13 that was packed in a bottle for that item, that's 14 correct. 15 Q. And then would they have to enter in some sort 16 of code into the system to note that the adjustment was 17 made for the purpose of lowering to the threshold? 18 A. They did not enter it into the pick-to-light 19 system. There was a -- a tracking mechanism where they 20 recorded that they adjusted it down; and they both kept 21 a file of those, an Excel file of those adjustments, 22 and also later sent those adjustments to the corporate 23 office. 24 Q. Was there also -- well, I guess maybe it's the 25 same file of orders that exceeded the threshold?</p> |
| <p style="text-align: right;">Page 71</p> <p>1 Q. And so the order selectors were familiar with 2 that threshold because it was the same for all stores, 3 correct? 4 A. Absolutely. Yes. That's correct. 5 Q. And so if an order came in from an automated 6 system that exceeded that, they would know that when 7 they saw it, and then they would adjust it downward? 8 A. Correct. 9 Q. How would they go and adjust it downward? 10 A. The pick-to-light module that shows the order 11 quantity, there's a mechanism for adjusting the pick 12 down; and so they would adjust it down to whatever 13 quantity it was that they picked, and then they would 14 confirm that. 15 Q. And then they would just adjust it down so 16 that it was within the threshold? 17 A. So that it met the threshold. They would 18 adjust it to the threshold level. 19 Q. So if an order came in for 5,001 dosage units, 20 they would adjust it down to 5,000 dosage units? 21 MS. McENROE: Objection to form. 22 THE WITNESS: That's conceptually correct. 23 You know, the products are shipped in bottles of 24 50 or a hundred or what -- so you would -- I can't 25 imagine a circumstance you'd get an order for</p> | <p style="text-align: right;">Page 73</p> <p>1 MS. McENROE: Objection to form. 2 THE WITNESS: Orders that exceeded the 3 thresh -- if it exceeded the threshold, it would 4 have been adjusted, and it would have been 5 contained in the file I just described. 6 BY MR. PIFKO: 7 Q. And then where -- was there a name for that 8 file? 9 A. I'm sure there is, but I can't off the top of 10 my -- you know, that's a level of detail significantly 11 below what I was involved with; but I'm sure there was 12 a name for the file, but I couldn't tell you what it 13 was. 14 Q. Was someone -- you said it was -- ultimately 15 could be sent to corporate, correct? 16 A. Correct. 17 Q. But was there someone who, before it got sent 18 to corporate, who would be responsible for looking at 19 orders that were adjusted to threshold? 20 A. It was -- the process was that the picker 21 adjusted it and recorded it; and the manager, the 22 pharmacy manager, would review and confirm, you know, 23 so the pharmacy -- it was looked at by two people. 24 Both the picker and the pharmacy manager looked at the 25 adjustment that was made.</p> |

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| <p style="text-align: right;">Page 74</p> <p>1 Q. Do you have an understanding about the -- what 2 criteria the manager would be looking at when they're 3 looking at the adjustment? Why are they looking at it? 4 MS. McENROE: Objection to form. 5 THE WITNESS: The adjustments included both 6 adjustments that we're talking about, both 7 adjustments that simply exceeded the threshold; 8 but you'll recall that earlier I mentioned that 9 another leg of the controls that Rite-Aid had in 10 place was that the order selectors, who were kind 11 of familiar with the norms, that, you know, the 12 normal patterns of ordering, if they saw something 13 that was unusual, they had the wherewithal to kind 14 of raise their hand and stop and either adjust it 15 or call the -- if it was during the day, they'd 16 call the store to confirm the order quantity. 17 Even if it was below the threshold, there was 18 a check that was made for that. Those were also 19 contained in the same -- in the same list, so in 20 the same file. 21 So the manager was both, you know, confirming 22 that someone had properly recorded the adjustments 23 that were made because of the threshold but also 24 was reviewing what action, if any, was taken for 25 the ones that were adjusted below the threshold.</p> | <p style="text-align: right;">Page 76</p> <p>1 that were made, and then there was a file that 2 contained only the ARCOS reportable items. 3 The file that contains the ARCOS reportable 4 items was made to report the corresponding 5 corrections in the ARCOS file so that when it was 6 created -- when it was sent to the DEA, it 7 reflected the adjustment that was made at the 8 distribution center. 9 BY MR. PIFKO: 10 Q. And so we're talking about, to be clear, you 11 understand that as a registrant, among the duties 12 Rite-Aid had was to report certain types of products to 13 the ARCOS system; is that correct? 14 MS. McENROE: Objection to form. 15 THE WITNESS: I do understand that. 16 BY MR. PIFKO: 17 Q. Okay. And so when the spreadsheet was sent to 18 you, it was a subset of items that needed to be 19 reported to ARCOS; and, if I'm understanding you 20 correctly, you got that report so that you would make 21 sure the amount being reported into the ARCOS system 22 was the order actually filled, not the order actually 23 placed; is that correct? 24 MS. McENROE: Objection to form. 25 THE WITNESS: Well, let me restate it to make</p> |
| <p style="text-align: right;">Page 75</p> <p>1 BY MR. PIFKO: 2 Q. At some point you had responsibility for 3 getting the spreadsheets of these threshold 4 exceedances. Do you recall that? 5 MS. McENROE: Objection to form. 6 THE WITNESS: That came into the corporate 7 office in my department? 8 BY MR. PIFKO: 9 Q. Yes. 10 A. They came -- the adjustments that were made 11 came in to, you know, the regulatory individual that 12 worked for me, yes. 13 Q. And there was a period when one of those 14 people, maybe they left the company or something, and 15 it was -- those were sent directly to you? 16 A. There was. For the -- I think you're actually 17 talking about a subset of those adjustments, the ones 18 that were basically for the ARCOS reportable items. 19 Yes, those were sent to me. 20 Q. And that's what I'm getting at is, what was 21 your understanding of what was being sent to you at 22 that time? 23 MS. McENROE: Objection to form. 24 THE WITNESS: Well, again, there's -- there 25 was a file that contained all of the adjustments</p> | <p style="text-align: right;">Page 77</p> <p>1 sure that this is being -- it was -- because you 2 said it was a subset of the ARCOS reportable 3 items. It was the -- the subset of the ARCOS 4 reportable items that had an adjustment, if that 5 makes sense. 6 BY MR. PIFKO: 7 Q. Okay. 8 A. So there was a file of all of the items that 9 were adjusted, many of which were not ARCOS reportable. 10 That was a file. There was a separate file that was a 11 subset of that first file that was only the ARCOS 12 reportable items. 13 That file was sent to be used to make -- to 14 adjust the quantities in the ARCOS file before it was 15 sent to the DEA. Does that make sense? 16 Q. Yes. So is there an automated system for 17 queuing up the orders that were going to be reported to 18 the ARCOS system? 19 MS. McENROE: Objection to form. 20 THE WITNESS: I believe you're asking was 21 there an automated process to create the ARCOS 22 file; is that correct? 23 BY MR. PIFKO: 24 Q. Yes. 25 A. Yes.</p> |

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| <p style="text-align: right;">Page 78</p> <p>1 Q. Okay. So the file would be created, but then 2 if order quantities had been adjusted through the 3 threshold system, someone would have to make sure that 4 they were appropriately reflected in the file that was 5 generated?</p> <p>6 A. Yes. As I recall, the initial file contained 7 the original order quantity, not the quantity that was 8 ultimately shipped. So again, as I recall, the 9 adjustment had to be made based on the files that were 10 sent by the distribution center.</p> <p>11 Q. Okay. And then backing up, so there's a -- 12 there's a file of these controlled substances that -- 13 and you said if there's an adjustment downward for 14 threshold, that's put in the file; and then you said 15 that, on occasion, an order selector might decrease the 16 order, and that would have to be put in there as well?</p> <p>17 MS. McENROE: Objection to form.</p> <p>18 THE WITNESS: Correct. They may decrease the 19 order, even though it did not exceed the thresh -- 20 something that was within the threshold, but they 21 may have followed up with and found that the order 22 needed to be adjusted.</p> <p>23 BY MR. PIFKO:</p> <p>24 Q. Was there -- are there codes in that system to 25 tell you why there's an adjustment being made?</p> | <p style="text-align: right;">Page 80</p> <p>1 MS. McENROE: Objection to form. 2 THE WITNESS: It -- it could be either of 3 those. It -- it would rarely be insufficient 4 supply because the system would not have -- if the 5 system knew we were -- you know, the system knows 6 the distribution center inventory as well.</p> <p>7 So if the system, the Warehouse Management 8 System, did not show inventory to fulfill an 9 order, it would not have created one for the -- 10 for the distribution center.</p> <p>11 So it was possible that there would be an 12 inventory problem, or perhaps an item got 13 quarantined, for example. So it showed in 14 inventory, but we shouldn't ship it, and they'd 15 have to adjust for that reason, but that was very 16 uncommon.</p> <p>17 BY MR. PIFKO:</p> <p>18 Q. Are there any other reasons that an order 19 could be adjusted from the size of the order that came 20 in?</p> <p>21 A. I'm -- I'm sure there are. I mean, again, 22 what typically would happen if they -- if they -- it 23 was below the threshold but it looked unusual or, you 24 know, they had any question at all, they would attempt 25 to call the store, and the store could tell them, you</p> |
| <p style="text-align: right;">Page 79</p> <p>1 A. You're saying in the pick-to-light system?</p> <p>2 Q. In the -- in the spreadsheet that's created. 3 You said -- hold on for a second. So I believe you 4 said you don't remember the name of it; is that 5 correct?</p> <p>6 A. That is correct.</p> <p>7 Q. Okay. So we can just call it, for purposes of 8 the deposition, the order adjustment spreadsheet. 9 Okay?</p> <p>10 A. Okay.</p> <p>11 Q. So in this order adjustment spreadsheet, is 12 there any sort of coding so you know that an order was 13 adjusted for a specific reason?</p> <p>14 A. I don't -- I guess I don't recall the file 15 specifically enough to say with certainty; but I would 16 guess there was something that indicated which ones 17 were adjusted because they exceeded the threshold and 18 maybe -- I know that -- I know that if they adjusted it 19 for a reason besides exceeding the threshold, they had 20 to indicate why. So there was -- there was some 21 narrative or something in there about that.</p> <p>22 Q. Okay. So that could be they made some one-off 23 adjustment after talking to the store, or it also could 24 be because there wasn't sufficient supply in the 25 warehouse?</p> | <p style="text-align: right;">Page 81</p> <p>1 know, what they really intended to do. Did they really 2 need that quantity?</p> <p>3 Maybe they -- so I know, again, there was some 4 comments made about, Here's why I adjusted. This is 5 what the store told me. So I couldn't tell you what 6 all of those things were, but those would have been 7 based on conversations with the pharmacist at the 8 store.</p> <p>9 Q. And then that was going to be my next 10 question, was, so if there was a conversation with 11 somebody at the store, that would be documented in the 12 spreadsheet?</p> <p>13 A. Yes.</p> <p>14 Q. Do you -- are you familiar with any training 15 on Controlled Substances Act that order selectors may 16 have received?</p> <p>17 A. I'm not -- you know, let me first say that I 18 wasn't -- my area wasn't responsible for the operation 19 of the distribution centers. So that wasn't directly 20 in my purview. I know that their -- they were trained 21 on their responsibilities and what they were expected 22 to execute at the distribution center.</p> <p>23 I don't know whether there was any training 24 that specifically mentioned the Controlled Substances 25 Act. I know that it told them what we could and</p> |

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| <p style="text-align: right;">Page 82</p> <p>1 couldn't do and did and didn't do to make -- to ensure 2 that we complied with the Controlled Substances Act. 3 Q. And just -- I think we kind of covered this, 4 but I just want to make sure we're clear. Are you -- 5 having been a former distribution center general 6 manager, are you familiar with the chain of management 7 and -- of employees at the distribution center? 8 A. You're talking about the reporting structure 9 at the distribution center? 10 Q. Yeah. 11 A. Generally, yes. 12 Q. Okay. So an order selector, is that an hourly 13 position? 14 A. Yes. 15 Q. And is that a daytime position or a nighttime 16 position? 17 A. There are order selectors -- we run a 18 multi-shift operation at almost all of the distribution 19 centers, so -- 20 Q. Okay. So they can be both? 21 A. They can be both. 22 Q. So there's -- order selecting happens 24 hours 23 a day? 24 A. It happens throughout the day. The schedule 25 varies, depending on the specific distribution center.</p> | <p style="text-align: right;">Page 84</p> <p>1 Q. And who does the pharmacy department manager 2 report to? 3 A. They would generally report to an operations 4 manager. 5 Q. And then they report to the general manager? 6 A. That would be -- typically that would be the 7 case, yes. 8 Q. Are you familiar -- so we talked about it a 9 little bit earlier. We talked about the idea of 10 diversion. Do you recall that? 11 A. I do. 12 Q. Okay. Are you familiar with the idea of 13 suspicious order monitoring and reporting under the 14 Controlled Substances Act? 15 MS. McENROE: Objection to form. 16 THE WITNESS: I am. 17 BY MR. PIFKO: 18 Q. Okay. Are you aware of whether Rite-Aid had a 19 system in place to report suspicious orders to the DEA? 20 A. Our process -- again, I've got to walk through 21 the process for creating the orders to ensure that the 22 orders are correct based on demand. Then they are -- 23 they arrive at the distribution center, and they are 24 then adjusted below that threshold and reviewed by the 25 associates as they pick them.</p> |
| <p style="text-align: right;">Page 83</p> <p>1 There typically is a window during that -- during that 2 24-hour day, there's a window where no order selecting 3 is being done for system maintenance and replenishment, 4 things of that nature; but, as a general statement, it 5 could happen throughout the day. 6 Q. And who do the order selectors report to? 7 A. They will generally report to a department 8 manager. There's a pharmacy department manager. 9 There's also, in each pharmacy department, a DEA 10 coordinator who monitors the activities in the 11 controlled substance cage and all of the things related 12 to DEA, and they would be a resource for those 13 associates as well. 14 Q. Is there a DEA coordinator on site during all 15 shifts or only during the day? 16 A. There is not one on site during all shifts. 17 There is a DEA coordinator at the distribution center. 18 That person, as a part of their responsibility, may be 19 asked to work all shifts from time to time. 20 Q. So that the order selector reports up to 21 the -- 22 A. To a department manager. 23 Q. -- a department manager; and in the case of 24 controlled substances, is it the pharmacy department? 25 A. Correct.</p> | <p style="text-align: right;">Page 85</p> <p>1 If, in fact, we saw anything suspicious at 2 that point, our policy was, at the distribution center, 3 to contact the government affairs department, and they 4 would take care of any notification that took place. 5 Q. Was there any system to report an order that 6 exceeded the threshold to the DEA? 7 A. "Report an order that exceeded the threshold." 8 We -- are you asking whether we automatically reported 9 all orders that exceeded the threshold to the DEA? 10 Q. Right. 11 A. We did not. The threshold was set -- in many 12 cases, the threshold was set as a level, again, as kind 13 of the last line of defense after the orders were 14 already created through these other systems and if 15 anything reduced it below what that legitimate expected 16 order would be. 17 So I don't believe -- they certainly -- we did 18 not report to the DEA every time we adjusted an order 19 based on a threshold. 20 Q. Are you familiar with the criteria that were 21 used to decide whether to report an order to the DEA? 22 A. All -- of my own knowledge, the only thing I 23 know is that they would report anything we were 24 concerned with to the government affairs department and 25 that they would then make the decision to report to the</p> |

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| <p style="text-align: right;">Page 86</p> <p>1 DEA.</p> <p>2 Q. Okay. So let's talk about -- are you familiar 3 with criteria that would have led something to be 4 reported to the government affairs department?</p> <p>5 A. You know, I -- again, I can't -- I can't say 6 anything specific. That's probably multiple levels 7 below what my, kind of, responsibilities were; but I 8 know that if, in fact, in the judgment of the order 9 selectors, the DEA coordinator, and the pharmacy 10 manager, there was a concern, they would contact the 11 government affairs department, so --</p> <p>12 Q. Do you know if there were any documented 13 procedures by which order selectors were told what 14 would lead something to be, quote, suspicious to be 15 reported to the government affairs department?</p> <p>16 A. I know that there were documented procedures 17 that were used to train the order selectors and what 18 they were supposed to do; and again, the order 19 selector, if they had a concern, they would bring it to 20 the attention of their, you know, their department 21 manager and the DEA -- and/or the DEA coordinator who 22 would ultimately make that contact to the government 23 affairs department, so --</p> <p>24 Q. Do you know the names of any of the people who 25 worked in the government affairs department?</p> | <p style="text-align: right;">Page 88</p> <p>1 Q. I'm handing you what's marked as Exhibit 1.</p> <p>2 For the record, Exhibit 1 is a one-page document Bates 3 labeled 0020412 -- sorry -- Rite-Aid underscore --</p> <p>4 Rite_Aid_OMDL_0020412. Please take a moment to review 5 that, and let me know when you are done.</p> <p>6 A. Okay.</p> <p>7 Q. Have you seen this document before?</p> <p>8 A. I have.</p> <p>9 Q. When was the last time you saw it?</p> <p>10 A. Probably yesterday, so --</p> <p>11 Q. Before yesterday, when was the last time you 12 saw it?</p> <p>13 A. Probably 2009.</p> <p>14 Q. And that's the date of the E-mail?</p> <p>15 A. Correct.</p> <p>16 Q. Okay.</p> <p>17 A. Right.</p> <p>18 Q. It's from someone named Kevin. Do you know 19 which Kevin?</p> <p>20 A. It's Kevin Mitchell.</p> <p>21 Q. Okay. And how do you know it's 22 Kevin Mitchell?</p> <p>23 A. If you look on the original message, it says 24 from d-i-s-k-e-m. That was his E -- Rite-Aid 25 maintained two E-mail systems, and that was the --</p> |
| <p style="text-align: right;">Page 87</p> <p>1 A. Janet Hart is -- was our primary contact 2 that -- she was our, kind of, subject matter expert 3 that we used as a resource.</p> <p>4 Q. Anyone else?</p> <p>5 A. Typically we would -- certainly from my 6 perspective, my involvement, I would go to Janet with 7 any questions or any issues that I had, so --</p> <p>8 Q. To your recollection, Janet held that position 9 the entire time that you would have had any involvement 10 with anyone in government affairs?</p> <p>11 A. To the best of my knowledge, yes.</p> <p>12 Q. There wasn't anyone else that you can recall 13 ever having interacted with from government affairs?</p> <p>14 A. Well, there were other people I interacted 15 with from government affairs; but, if there was 16 anything that was related to the DEA, I interacted with 17 Janet.</p> <p>18 Q. Can I get some -- can we go off record for 19 just 2 seconds?</p> <p>20 THE VIDEOGRAPHER: Off the record, 11:22 a.m. 21 (Brief recess was taken.)</p> <p>22 THE VIDEOGRAPHER: On the record, 11:23 a.m. 23 (Rite-Aid Chapman Exhibit No. 1 was marked for 24 identification.)</p> <p>25 BY MR. PIFKO:</p> | <p style="text-align: right;">Page 89</p> <p>1 Kevin's ID in the old E-mail system.</p> <p>2 Q. Let's talk about the E-mail system for a 3 minute. There were -- there was an old system and a 4 new system, or were there simultaneously two systems?</p> <p>5 A. There were simultaneously two systems. You 6 know, for some period of time there were both, so --</p> <p>7 Q. Do you have an understanding about why that 8 was?</p> <p>9 A. Well, they were phasing out the old system.</p> <p>10 Q. Okay.</p> <p>11 A. The old system was called SYSM, and it was, 12 you know, it had many limitations. It was a 13 mainframe-based system, but that was -- that was his ID 14 for that.</p> <p>15 Q. Okay. And so then a new system was 16 instituted, and people got different E-mail addresses?</p> <p>17 A. When the new system was implemented, you got 18 an E-mail address that, you know, was basically your 19 name, you know, so --</p> <p>20 Q. So do you recall receiving this E-mail?</p> <p>21 A. I do.</p> <p>22 Q. Do you know the conference -- well, in it 23 Kevin is telling you about a conference that he 24 attended. Do you see that?</p> <p>25 A. I do.</p> |

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| <p>1 Q. Do you know what conference he was attending?</p> <p>2 A. I believe he's referring to -- we had Kevin</p> <p>3 and/or DEA coordinators from different distribution</p> <p>4 centers attend the conferences that were put on by</p> <p>5 Ron Buzzeo's organization in the time I was at</p> <p>6 Rite-Aid, and I believe that's the conference he's</p> <p>7 referring to.</p> <p>8 Q. And so among other things, he writes to you.</p> <p>9 At the end he says, Good conference. We have one take</p> <p>10 away that we need to better address; suspicious order</p> <p>11 monitoring. Do you see that?</p> <p>12 A. I do.</p> <p>13 Q. Okay. Did you have a discussion with him</p> <p>14 about suspicion order monitoring at that time?</p> <p>15 A. I'm sure that I did.</p> <p>16 Q. Do you have an understanding about why he said</p> <p>17 that the company needed to better address suspicious</p> <p>18 order monitoring?</p> <p>19 A. I'm sure it was because that was something</p> <p>20 that was brought up, to the best of my knowledge, at</p> <p>21 all of the conferences that Ron Buzzeo put on during</p> <p>22 this time frame. You know, the conferences were for</p> <p>23 both drug chains that shipped only to their own stores</p> <p>24 and also for shippers that shipped to independent</p> <p>25 retailers and things of that nature.</p> | <p>1 Q. Are you familiar with the reasons why he left?</p> <p>2 A. I am not.</p> <p>3 Q. He left the company, or he left to have</p> <p>4 another position within the company?</p> <p>5 A. He left the company.</p> <p>6 Q. Do you know where he went after?</p> <p>7 A. I do not.</p> <p>8 Q. So as the logistics manager, I believe you</p> <p>9 said vice president of logistics, he reported to you?</p> <p>10 A. Correct.</p> <p>11 Q. Did you have authority to decide what</p> <p>12 trainings to send people like him on?</p> <p>13 A. Not purely and independently. I made</p> <p>14 recommendations, but our policy was that I would have</p> <p>15 to get the approval of my boss anytime I sent anyone to</p> <p>16 conventions, conferences, you know, travel expenses or</p> <p>17 something any company manages. So I didn't have the</p> <p>18 independent authority, but I had the authority to</p> <p>19 recommend.</p> <p>20 Q. And who was your boss who had that approved --</p> <p>21 final approval authority?</p> <p>22 A. Wilson Lester.</p> <p>23 Q. So did you recommend every year that someone</p> <p>24 from your department attend one of Ron Buzzeo's</p> <p>25 conference, conferences?</p> |
| <p style="text-align: center;">Page 91</p> <p>1 So I know that was -- as I recall, that was on</p> <p>2 the agenda at every one of the conferences that any of</p> <p>3 our people attended.</p> <p>4 Q. Have you ever attended one of those</p> <p>5 conferences?</p> <p>6 A. I did when I worked for Eckerd's, but, you</p> <p>7 know, this was prior to me working for Rite-Aid.</p> <p>8 Probably in the late '90s I attended one.</p> <p>9 Q. So to your knowledge, Ron Buzzeo was putting</p> <p>10 these on as far back as the late '90s?</p> <p>11 A. I believe that's when it was, the late '90s</p> <p>12 when I attended one, yes.</p> <p>13 Q. Okay. The one you attended was put on by</p> <p>14 Ron Buzzeo?</p> <p>15 A. Yes.</p> <p>16 Q. And did you -- so Kevin, I believe his name</p> <p>17 came up earlier. He was the regulatory compliance</p> <p>18 person, correct?</p> <p>19 A. Correct. Kevin Mitchell.</p> <p>20 Q. Okay. Do you recall the time period when he</p> <p>21 held the regulatory compliance position?</p> <p>22 A. He was in that position when I came to the</p> <p>23 corporate office in 2008, and I -- I couldn't tell you</p> <p>24 exactly when he left. I would say 2011 maybe, but I'm</p> <p>25 not sure of the exact date. 2010, 2011, so --</p> | <p style="text-align: center;">Page 93</p> <p>1 A. I -- I recommended multiple times. I mean, I</p> <p>2 don't know that I can, you know, authoritatively say I</p> <p>3 recommended it every single year. I don't recall that</p> <p>4 that specifically, but I know I recommended it multiple</p> <p>5 times and that folks both from the corporate office and</p> <p>6 also from the distribution centers, the DEA coordinator</p> <p>7 position that I mentioned, went.</p> <p>8 Q. Okay. And so in this E-mail Kevin tells you</p> <p>9 that you need to better address suspicious order</p> <p>10 monitoring. Do you recall having a discussion with him</p> <p>11 at that time about what you could do to better address</p> <p>12 suspicious order monitoring?</p> <p>13 A. I -- I can't remember -- recall the specific</p> <p>14 conversation, but what I typically would have done</p> <p>15 would be to engage Janet and to ask Kevin to meet with</p> <p>16 Janet, to talk about our current procedures and what</p> <p>17 Ron described and, if, after that discussion, there</p> <p>18 were really any issues that we needed to address that</p> <p>19 weren't addressed with our existing procedures, to let</p> <p>20 me know.</p> <p>21 Q. Do you recall there being any specific gaps or</p> <p>22 areas that you wanted to improve in the suspicious</p> <p>23 order monitoring system at this time?</p> <p>24 A. I do not.</p> <p>25 Q. Do you recall making any changes to the system</p> |

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| <p style="text-align: right;">Page 94</p> <p>1 as a result of this discussion in 2009?</p> <p>2 A. I do not recall making any changes.</p> <p>3 Q. If there were changes, would you be aware of</p> <p>4 them?</p> <p>5 A. I would expect to be, yes.</p> <p>6 Q. Do you recall there being changes to the</p> <p>7 system at any time during your tenure?</p> <p>8 MS. McENROE: Objection to form.</p> <p>9 THE WITNESS: I do not. You know, I will say</p> <p>10 this: When I joined Rite-Aid, I was quite</p> <p>11 impressed by the process that they had in place to</p> <p>12 manage controls when I first became involved with</p> <p>13 it. It was, you know, robust, multilevel.</p> <p>14 So no, I -- I -- to the best of my knowledge,</p> <p>15 that system that was in place remained in place</p> <p>16 throughout the remainder of the time that Rite-Aid</p> <p>17 shipped controlled substances.</p> <p>18 BY MR. PIFKO:</p> <p>19 Q. Do you know if Mr. Mitchell brought any</p> <p>20 paperwork back from the conference with him?</p> <p>21 A. I -- I don't recall that.</p> <p>22 Q. Do you --</p> <p>23 A. I don't recall.</p> <p>24 Q. Do you recall, at any time anyone attended one</p> <p>25 of Mr. Buzzeo's conferences, them bringing back any</p> | <p style="text-align: right;">Page 96</p> <p>1 Janet Hart about the suspicious order monitoring?</p> <p>2 MS. McENROE: Objection to form.</p> <p>3 THE WITNESS: Pursuant to this?</p> <p>4 BY MR. PIFKO:</p> <p>5 Q. Yes.</p> <p>6 A. No. I do not. Again, this was one of</p> <p>7 multiple areas of responsibility that I had. So I</p> <p>8 charged Kevin with that responsibility. Kevin would</p> <p>9 have had the discussion with Janet. If there were any</p> <p>10 issues, Kevin would have brought them back to me. That</p> <p>11 would have escalated it, and we would have had further</p> <p>12 discussion with Janet; but no, I don't remember any</p> <p>13 discussion with Janet as a result of this.</p> <p>14 Q. How about at any time, did you have a</p> <p>15 discussion with Janet Hart about suspicious order</p> <p>16 monitoring?</p> <p>17 A. Well, later in my tenure at Rite-Aid we looked</p> <p>18 at automating some of the manual processes that I</p> <p>19 described, you know, to increase the efficiency for</p> <p>20 that; and so there was some work that was initiated to</p> <p>21 potentially kick off a system project, and I did have</p> <p>22 some conference -- some conversations probably with</p> <p>23 Janet at that time.</p> <p>24 Again, they would have been very limited at my</p> <p>25 level when -- the period I'm talking about, Chris Belli</p> |
| <p style="text-align: right;">Page 95</p> <p>1 materials they might have received from the conference?</p> <p>2 A. I don't specifically recall that, no.</p> <p>3 Q. When you attended one of Mr. Buzzeo's</p> <p>4 conferences, do you recall receiving any materials?</p> <p>5 A. I would assume that I did, but it's -- you</p> <p>6 know, it's long enough ago that I don't really</p> <p>7 remember; but typically when you go to a conference,</p> <p>8 there's some printed material that you get, so --</p> <p>9 Q. Do you know if materials from the conference</p> <p>10 would have been maintained by your department or the</p> <p>11 regulatory compliance department at any time?</p> <p>12 A. Again, I don't know that there were any</p> <p>13 materials from the -- from the conference. So I can't</p> <p>14 answer that. I -- I don't know what it was and, you</p> <p>15 know, if there was anything. So -- so I don't know the</p> <p>16 answer to that question.</p> <p>17 Q. You said that you would have referred Kevin to</p> <p>18 Janet Hart to have a discussion about any concerns he</p> <p>19 had?</p> <p>20 A. Correct. With -- with the thought that -- to</p> <p>21 make sure that we compared whatever Ron described as an</p> <p>22 issue with our current processes and if, after that,</p> <p>23 Janet felt like there were any concerns, we would</p> <p>24 certainly take steps to address them, so --</p> <p>25 Q. Do you recall having any discussions with</p> | <p style="text-align: right;">Page 97</p> <p>1 was in place, and Chris Belli would have had, you know,</p> <p>2 any detailed conversations with Janet about it; but I'm</p> <p>3 sure we had some conversations then when we were</p> <p>4 talking about automating some of this.</p> <p>5 Q. There's a document called a Project</p> <p>6 Initiation. Is that a form that you're familiar with?</p> <p>7 A. It is.</p> <p>8 Q. Okay. And you recall corresponding with</p> <p>9 people, including Janet and Chris, about the project</p> <p>10 initiation?</p> <p>11 A. I do. It's for the project I just</p> <p>12 mentioned --</p> <p>13 Q. Right.</p> <p>14 A. -- that it was to automate some of these</p> <p>15 manual processes that we had in place and to provide</p> <p>16 some -- you know, the thought process of that project</p> <p>17 was to take activities -- both to automate what was</p> <p>18 going on at the distribution centers but also to take</p> <p>19 activities that were being run by separate processes</p> <p>20 and our loss prevention perhaps and government affairs</p> <p>21 area and collect them all into one system. So yes, I</p> <p>22 do recall that.</p> <p>23 Q. To your knowledge, was that project ever</p> <p>24 implemented?</p> <p>25 A. No, that project was never implemented.</p> |

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| <p style="text-align: right;">Page 98</p> <p>1 Q. Do you know why it was not implemented?</p> <p>2 A. Well, ultimately Rite-Aid stopped shipping</p> <p>3 controlled substances. So there was work to evaluate</p> <p>4 the project, to, you know, to scope out the work effort</p> <p>5 for the project, to get it on the -- in the work queue,</p> <p>6 you know, any -- I referred to the IT department.</p> <p>7 All IT departments, I'm sure at every company</p> <p>8 in America, has a backlog of projects to do. So</p> <p>9 there's a work queue that it would have to be entered</p> <p>10 into, and there was work to kind of get it into that</p> <p>11 work queue; and, as I recall, that was -- by the time</p> <p>12 that was underway, it was shortly before we eliminated</p> <p>13 shipping pharmacy.</p> <p>14 So there would no longer have been a benefit,</p> <p>15 truly, of automating a process that was already in</p> <p>16 place and already sufficed as it stood, even if it was</p> <p>17 a little less efficient than we liked it to be.</p> <p>18 Q. And what do you mean it was less efficient</p> <p>19 than you would like it to be?</p> <p>20 A. Well, some of the manual steps that we -- I</p> <p>21 talked about the order selectors having to write things</p> <p>22 down and recording it in an Excel spreadsheet and</p> <p>23 things of that nature. The project kind of envisioned</p> <p>24 that that could all be done online and would be</p> <p>25 collected in one central database as opposed to being</p> | <p style="text-align: right;">Page 100</p> <p>1 center being selected as one of the test sites for that</p> <p>2 project?</p> <p>3 A. I -- I don't recall it. You know, I don't</p> <p>4 recall why we selected that, but it doesn't surprise me</p> <p>5 that we would have selected Liverpool.</p> <p>6 Q. Where is the Liverpool distribution center?</p> <p>7 A. Near Syracuse, New York.</p> <p>8 Q. And do you have an understanding about the</p> <p>9 geographic regions serviced by the Liverpool</p> <p>10 distribution center?</p> <p>11 A. Generally, and again, as I mentioned earlier,</p> <p>12 those service locations changed over time; but yeah, as</p> <p>13 a general statement, I could say yes.</p> <p>14 Q. Do you know the states that were included</p> <p>15 within the service area for the Liverpool distribution</p> <p>16 center?</p> <p>17 A. At various times it would have included</p> <p>18 obviously New York, some stores probably in</p> <p>19 New Hampshire, Connecticut, you know, Western</p> <p>20 Massachusetts, Northern Pennsylvania, probably the edge</p> <p>21 of Ohio.</p> <p>22 You know, I'm not -- you know, we -- that was</p> <p>23 something that was managed based on distribution center</p> <p>24 capacity; and, as I mentioned, that changed over time</p> <p>25 as distribution centers closed and as Rite-Aid</p> |
| <p style="text-align: right;">Page 99</p> <p>1 on an Excel spreadsheet, things of that nature, so --</p> <p>2 Q. Do you recall when the discussions first</p> <p>3 started about this project?</p> <p>4 MS. McENROE: Objection to form.</p> <p>5 THE WITNESS: I -- I don't recall exactly.</p> <p>6 I -- no. My guess would be 2012 or '13; but, you</p> <p>7 know, I'd have to go back and look at the</p> <p>8 documents to confirm that, so --</p> <p>9 BY MR. PIFKO:</p> <p>10 Q. Do you recall -- I believe that you were just</p> <p>11 testifying about the process of implementing the</p> <p>12 procedure and going through IT. Do you recall that?</p> <p>13 A. Yes.</p> <p>14 Q. As one of those processes, you would have a --</p> <p>15 some test sites where you would implement this program;</p> <p>16 is that correct?</p> <p>17 A. Are you asking as a part of getting the</p> <p>18 project approved or part of actually developing and</p> <p>19 implementing the project?</p> <p>20 Q. Part of developing and implementing it.</p> <p>21 A. If we developed and implemented it, any IT</p> <p>22 project, we would typically pilot it at, you know, one</p> <p>23 or -- you know, one or two locations before</p> <p>24 implementing it at all of the locations.</p> <p>25 Q. Do you recall the Liverpool distribution</p> | <p style="text-align: right;">Page 101</p> <p>1 completed the integration of the Eckerd stores and</p> <p>2 distribution centers.</p> <p>3 So gosh, I -- you know, to me, at my level,</p> <p>4 they were store numbers and volumes and transportation</p> <p>5 needs. It wasn't -- you know, it wasn't something that</p> <p>6 I looked at in great detail, so --</p> <p>7 Q. Is there a document that tells you which</p> <p>8 distribution centers served which stores at any given</p> <p>9 time?</p> <p>10 A. There were -- there was a -- in the Rite-Aid</p> <p>11 database, you know, there was a place where you</p> <p>12 indicated who -- which distribution centers serviced a</p> <p>13 store for whatever period of time, and then when you</p> <p>14 made a change, you made a change in that database.</p> <p>15 So I'm sure that they could be extracted from</p> <p>16 that. Beyond that, there were -- you know, various</p> <p>17 functional areas kept spreadsheets of, you know,</p> <p>18 service areas and things of that nature, so --</p> <p>19 Q. You mentioned that you wouldn't be surprised</p> <p>20 that the Liverpool distribution center would be</p> <p>21 selected as a pilot location for the program, the</p> <p>22 suspicious order monitoring automation program, what</p> <p>23 you were just discussing. Why did you say that?</p> <p>24 A. Well, Perryman is -- we only had pharmacy</p> <p>25 products in four of the distribution centers:</p> |

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| <p style="text-align: right;">Page 102</p> <p>1 Tuscaloosa, Woodland on the West Coast, Liverpool, and 2 Perryman. We -- if we were going to pilot something, 3 you know, one of the considerations would be 4 geographical proximity to the corporate office in case, 5 you know, as you went and did some testing and 6 participated and things of that nature.</p> <p>7 And although the Perryman distribution center 8 is actually closer to the corporate office, we would 9 tend to not pilot something at Perryman because it was 10 so large.</p> <p>11 Perryman is -- was Rite-Aid's largest 12 distribution center by a significant, you know -- a 13 significant proportion. So, you know, when you're 14 piloting a new system, you probably don't want to go 15 into the biggest location that you have.</p> <p>16 Q. Are you familiar with the process by which -- 17 we talked about how orders get placed by a store to the 18 distribution center. At some point a distribution 19 center runs low on supply. We talked about that a 20 little bit. Are you familiar with the process by which 21 a distribution center orders product?</p> <p>22 A. Generally, yes. That wasn't in my area of 23 responsibility; and just as a point of clarification, 24 the distribution center did not order product. There 25 was a functional department at the corporate office</p> | <p style="text-align: right;">Page 104</p> <p>1 Q. Do you know if that was the same computer 2 system used at the stores?</p> <p>3 A. No, it was not. There was a -- no, it was 4 not.</p> <p>5 Q. Do you know -- do you know the name of that 6 system?</p> <p>7 A. It was -- E3 was the vendor that it was 8 purchased through, so -- and again, I'm not -- that 9 wasn't my area of responsibility. I'm not an expert. 10 I, you know, kind of in general know conceptually how 11 it worked, but we've just about exhausted my knowledge 12 at this point.</p> <p>13 Q. There was someone at headquarters who was 14 responsible for that?</p> <p>15 A. There was a replenishment department that was 16 responsible for replenishing both front-end and 17 pharmacy orders into the distribution centers.</p> <p>18 Q. And so someone in the replenishment department 19 would be more familiar with the process than you?</p> <p>20 A. Yes.</p> <p>21 MR. PIFKO: We've been going about another 22 hour, and I think it's around noon, if you guys 23 want to take another break.</p> <p>24 MS. McENROE: So it's 11:45. We can break now 25 and take a short lunch or if you want to keep</p> |
| <p style="text-align: right;">Page 103</p> <p>1 that managed the replenishment of goods into the 2 distribution centers.</p> <p>3 Q. Do you know if, similar to the way store 4 orders were made, if it was through an automated 5 system?</p> <p>6 A. It was.</p> <p>7 Q. Okay. So do you know if it's similar in 8 regards to the distribution center's computer system 9 would be monitoring the demand of items versus the 10 inventory and request to be refilled based on that?</p> <p>11 A. Yes. In broad strokes, that's correct. It 12 would look at the on-hand balance for an item; it would 13 look at the projected demand for an item. There was an 14 ability to adjust for seasonality.</p> <p>15 You know, obviously some -- you know, you sell 16 more filler paper in June than you do in -- or June and 17 July as you're going back to school than you do later 18 in the year. So there's an ability to adjust for 19 seasonality.</p> <p>20 So there was some -- some other controls or 21 adjustments that could be made in that -- in that, and 22 it also took into account lead time and required order 23 sizes. Some items you have to order -- you know, some 24 item you have to order by the pallet. Some items you 25 can order by the case type of thing, so --</p> | <p style="text-align: right;">Page 105</p> <p>1 going for a little while and then break for lunch.</p> <p>2 MR. VITALE: Yeah, let's break for lunch now.</p> <p>3 MR. PIFKO: Let's take a short break now.</p> <p>4 MS. McENROE: So take a short break now and 5 then come back, yeah.</p> <p>6 THE VIDEOGRAPHER: Off the record at 11:45 7 a.m.</p> <p>8 (Brief recess was taken.)</p> <p>9 THE VIDEOGRAPHER: On the record, 11:59 a.m.</p> <p>10 BY MR. PIFKO:</p> <p>11 Q. Are you familiar with the audit process with 12 respect to DEA audits in the distribution centers?</p> <p>13 A. Generally --</p> <p>14 MS. McENROE: Objection to form.</p> <p>15 THE WITNESS: Generally, yes.</p> <p>16 BY MR. PIFKO:</p> <p>17 Q. Was that something that you had familiarity 18 with when you were general manager of a distribution 19 center?</p> <p>20 A. If you're asking whether I had involvement 21 with it as a general manager, no, because we didn't 22 have a pharmacy department; but by the time I became a 23 general manager, you know, I had worked -- for Eckerd's 24 for 30 years, so we -- Eckerd had undergone DEA audits, 25 so I was generally familiar with it from that.</p> |

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| <p>1 Q. And when you were VP of logistics, did you 2 have any high-level involvement with audits? 3 A. With DEA audits? 4 Q. Yes. 5 A. Yes. We were -- again, you know, my area was 6 a resource to the distribution center. So when the DEA 7 came for an audit, they would let my area know; and, if 8 there were any -- you know, occasionally there were 9 reporting needs or things that they would need to have 10 run and data generated that my department would help 11 coordinate. 12 But yes, we -- we were always aware when there 13 was a DEA audit, and we got feedback at the end of 14 those audits and, you know, we were -- gosh, you know, 15 I was always pleased to see we did very well with those 16 DEA audits. 17 Q. Do you know if, as part of the audit process, 18 the DEA evaluated the company's suspicious order 19 monitoring efforts? 20 A. Actually, I know that they did an audit at the 21 Perryman distribution center, and at the conclusion of 22 that, in the exit discussion, they complimented us on 23 our process to manage suspicious orders or excessive 24 orders. So yes, they did evaluate it as a part of 25 that.</p> | <p>1 that were approved by the DEA for us to bring product 2 from a pharmacy DC and merge it with the orders at the 3 front-end DC. 4 We had to get permission from the DEA to 5 extend that process to the Eckerd DCs that were -- 6 Rite-Aid already had permission from the DEA to do 7 that. When the Eckerd acquisition took place and now 8 Rite-Aid owned the Eckerd DCs, you have to get explicit 9 permission at every location. 10 So we had to get permission from them to do 11 the cross-dock process, and so I was part of a group 12 that went to DEA headquarters in Washington and met 13 with them. So that was the only time that I met with 14 any DEA agents, and that was the subject. 15 Q. Do you remember the name of the agents that 16 you met with then? 17 A. I do not. 18 Q. To your knowledge, while you were at Rite-Aid, 19 was the company ever subject to any enforcement actions 20 by the DEA? 21 A. Not that I know of. I -- there's none that I 22 was aware of, so -- 23 Q. Let's talk about theft for a moment. From 24 time to time would you have issues with theft? 25 MS. McENROE: Objection to form.</p> |
| <p style="text-align: center;">Page 107</p> <p>1 Q. Do you know the rough time frame that that 2 occurred? 3 A. Again, I'd say, you know, 2012, '13. I -- you 4 know, it's been several years ago now, but I -- I know 5 that we had the audit and that occurred, so -- 6 Q. Do you recall who -- the names of the DEA 7 officers who conducted the audit? 8 A. No, I wouldn't have been, you know, involved 9 again at that level. We got -- we got feedback of the 10 results, but I -- I wasn't there when the audit took 11 place, and I wasn't there for the exit interview. So 12 we got feedback from it, but I didn't participate; and 13 no, I don't know the names of the officers that were 14 involved in that. 15 Q. During your tenure as VP of logistics, did you 16 ever meet with any DEA agents? 17 A. I did. Yes, I did. 18 Q. Okay. When was the first such occasion that 19 you met with DEA agents? 20 A. There was only one occasion, as I recall, and 21 it was very early in my tenure in that position, 22 probably in 2009. We actually visited the DEA's 23 headquarters in Washington. 24 You know, I described to you the cross-dock 25 process that we had where we had the cross-dock cages</p> | <p style="text-align: center;">Page 109</p> <p>1 THE WITNESS: You're talking about in general? 2 Certainly, there was product stolen from our 3 distribution centers. 4 BY MR. PIFKO: 5 Q. And specifically with respect to controlled 6 substances. 7 A. I don't ever remember there being an incident 8 that I was aware of where we had theft of any 9 controlled substances. You know, the physical security 10 was much greater for those products. 11 The process by which the associates were 12 vetted and allowed to go into the cage and to 13 participate in that activity was higher. They had a -- 14 you know, a background, you know, investigation was 15 done and things of that nature. So while we -- you 16 know, it would be disingenuous for me to say we never 17 had any front-end product stolen from a DC. 18 I'm -- I'm not aware of any incidents that -- 19 certainly I'm not aware of where we had any controlled 20 substances stolen. 21 Q. Pardon me. We're having some technical 22 difficulties in locating the document. 23 While he's looking for that, are you familiar 24 with the idea of conducting due diligence on an order 25 that's deemed to be suspicious or potentially</p> |

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| <p>1 suspicious?</p> <p>2 MS. McENROE: Objection to form.</p> <p>3 THE WITNESS: I'm not sure exactly what you</p> <p>4 mean by "due diligence." I know that we have a</p> <p>5 responsibility as a registrant to take steps to</p> <p>6 avoid diversion, you know, to ensure diversion</p> <p>7 doesn't take place, and to also ensure suspicious</p> <p>8 orders are not filled, and we don't take -- but if</p> <p>9 you're -- I'm not sure exactly what you're</p> <p>10 referring to by the phrase "due diligence" with</p> <p>11 that.</p> <p>12 BY MR. PIFKO:</p> <p>13 Q. Are you familiar with the idea that if an</p> <p>14 order is potentially suspicious, there's a duty to</p> <p>15 investigate the order to alleviate those suspicions?</p> <p>16 MS. McENROE: Objection to form.</p> <p>17 THE WITNESS: Yes.</p> <p>18 BY MR. PIFKO:</p> <p>19 Q. To your knowledge, does Rite-Aid have a</p> <p>20 process to -- when you were VP of logistics, did</p> <p>21 Rite-Aid have a process to conduct such investigations?</p> <p>22 A. When -- our responsibility in the distribution</p> <p>23 centers would have -- would have been, if we identified</p> <p>24 anything that we felt was a suspicious order, we would</p> <p>25 have reported it to the government affairs department.</p> | <p>1 Q. So you don't believe that there ever was a</p> <p>2 request to conduct an investigation?</p> <p>3 A. I -- no, I didn't say that. I said I'm not</p> <p>4 aware of it ever taking place. I don't know.</p> <p>5 Q. Okay.</p> <p>6 A. It did not take place, to the best of my</p> <p>7 knowledge.</p> <p>8 Q. If an order was deemed to be potentially</p> <p>9 suspicious, would that be documented anywhere?</p> <p>10 MS. McENROE: Objection to form.</p> <p>11 THE WITNESS: There would have been</p> <p>12 communication to Janet Hart; and I'm sure, you</p> <p>13 know, certainly based on the documents that were</p> <p>14 able to be produced, I'm sure it would have been</p> <p>15 documented in an E-mail or, you know, some</p> <p>16 communication, so --</p> <p>17 BY MR. PIFKO:</p> <p>18 Q. Do you know if there was any sort of</p> <p>19 spreadsheet or anything where those communications</p> <p>20 would have been maintained?</p> <p>21 A. I'm not aware of any spreadsheet; and again, I</p> <p>22 don't -- I don't recall it ever taking place.</p> <p>23 Q. All right. I'm handing you what's been marked</p> <p>24 as Exhibit 2.</p> <p>25 (Rite-Aid Chapman Exhibit No. 2 was marked for</p> |
| <p>Page 111</p> <p>1 They would have then worked with the loss prevention</p> <p>2 department and us, if necessary, to do any</p> <p>3 investigation.</p> <p>4 I'm not aware of that ever -- I don't recall</p> <p>5 that ever occurring. That's what would have taken</p> <p>6 place.</p> <p>7 Q. If you -- if there was such an investigation,</p> <p>8 would you have been involved in it?</p> <p>9 MS. McENROE: Objection to form.</p> <p>10 THE WITNESS: Potentially, but not with</p> <p>11 certainty.</p> <p>12 BY MR. PIFKO:</p> <p>13 Q. Is there a name of somebody within the</p> <p>14 government affairs department who would be responsible</p> <p>15 for heading up an investigation like that?</p> <p>16 A. If we had identified something that we felt</p> <p>17 was suspicious, we -- or potentially suspicious, we</p> <p>18 would have contacted Janet Hart.</p> <p>19 Q. Do you know if there would be any</p> <p>20 documentation of a request for an investigation to</p> <p>21 occur?</p> <p>22 MS. McENROE: Objection to form.</p> <p>23 THE WITNESS: I -- I don't know of that ever</p> <p>24 taking place.</p> <p>25 BY MR. PIFKO:</p> | <p>Page 113</p> <p>1 identification.)</p> <p>2 BY MR. PIFKO:</p> <p>3 Q. For the record, Exhibit 2 is a multipage</p> <p>4 E-mail, Bates labeled Rite_Aid_OMDL_0038075 to 77.</p> <p>5 Take a moment to review that, and let me know when</p> <p>6 you're done.</p> <p>7 A. Okay. Okay.</p> <p>8 Q. All right. So this -- have you seen this</p> <p>9 before?</p> <p>10 A. I have.</p> <p>11 Q. When was the last time you saw this?</p> <p>12 A. Yesterday.</p> <p>13 Q. And before seeing it yesterday, when was the</p> <p>14 last time you saw it?</p> <p>15 A. 2013.</p> <p>16 Q. All right. The subject line of this series of</p> <p>17 E-mails is Suspicious Order Monitoring Project.</p> <p>18 Actually, it says 5046 - Suspicious Order Monitoring</p> <p>19 Project. Do you see that?</p> <p>20 A. I do.</p> <p>21 Q. What is the Suspicious Order Monitoring</p> <p>22 Project?</p> <p>23 A. It was a project that was conceptualized to --</p> <p>24 from the distribution center's perspective to replace</p> <p>25 the manual activities that I mentioned to you, whereby</p> |

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| <p>1 we used -- we had a threshold and adjusted orders down 2 if they exceeded that threshold and then went through a 3 series of manual steps to record that action and report 4 it back to the corporate office.</p> <p>5 It also included -- the -- the project that 6 was envisioned would have also included -- you know, 7 there's some reporting and monitoring activities that 8 took place in our loss prevention department that would 9 have been -- that were done as a separate -- you know, 10 in a separate process.</p> <p>11 So it would have folded all of those processes 12 together so there would have been one place that 13 managed this, all of this activity and the reporting of 14 it; but from our perspective, the key to it was that it 15 was going to automate what was then a manual process.</p> <p>16 Q. So at the second -- so beginning on the second 17 page here -- well, there's an E-mail from you to 18 Chris Belli dated June 12th, 2013. Do you see that?</p> <p>19 A. I do.</p> <p>20 Q. It says, Chris - Per our conversation, and 21 then you're forwarding something from Marcia. Do you 22 see that?</p> <p>23 A. Yeah.</p> <p>24 Q. Who's Marcia, do you know?</p> <p>25 A. She was in our IT department, so she was</p> | <p>1 collection of the administrative steps to put together 2 the data that you would use to kick off a project.</p> <p>3 Q. Okay. So information reflected here on page 2 4 of the document -- which is E-mail from Marcia to you 5 and Richard and Karyn. Do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. Okay. Do you know who provided the 8 information in this E-mail?</p> <p>9 A. Of my own knowledge, I do not. I mean, I 10 would guess that she, Marcia, spoke to both Chris and 11 our loss prevention department and Janet Hart would be 12 my expectation, but I -- I didn't -- I never asked 13 Marcia where she got this information, so --</p> <p>14 Q. Who's Richard?</p> <p>15 A. Rich, Richard Reinsburrow worked for me, and 16 he was responsible for -- he was kind of the systems 17 liaison at the corporate office for the distribution 18 centers. So whenever there was a system change, 19 maintenance, modification, whatever it might be, Rich 20 was involved in it, you know, in some cases to help 21 with the design, in other cases just administratively. 22 You know, he helped coordinate the different activities 23 of the IT associates, so --</p> <p>24 Q. How about Karyn, who is she?</p> <p>25 A. Karyn was Marcia's boss. She was -- I believe</p> |
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| <p>1 assigned the responsibility of creating a project 2 initiation form for this, I believe, so that's --</p> <p>3 Q. And that was going to be my next question.</p> <p>4 There's a template below. It continues from the second 5 page to the third page. Do you see that?</p> <p>6 A. Correct.</p> <p>7 Q. Do you know what that is?</p> <p>8 A. That's the -- those are screen prints, I 9 believe, of the system that is used to input the data 10 that then leads to a project initiation request.</p> <p>11 Q. Can you tell me generally what a project 12 initiation request is?</p> <p>13 A. Well, anytime the -- any of the functional 14 departments, one of the IT department -- in this 15 context, a project initiation request was anytime any 16 of the functional departments wanted the IT department 17 to do something that was not maintenance, that was not 18 fixing a problem, so you're initiating a new project, 19 there was a structured set of wickets that you went 20 through to document what the project was, to quantify 21 both hard and soft benefits from it, and then the IT 22 department would put together their costs for things of 23 that nature.</p> <p>24 So it was -- it was -- it was all of the -- 25 the project initiation form was basically the</p> | <p>1 her -- she was -- I believe her title was director, but 2 she worked in the IT department; and she was kind of 3 the IT director that was assigned to deal with projects 4 involved in supply chain.</p> <p>5 Q. So going down here on the page, it says Name, 6 and then the form tells you to specify a name for the 7 IS PMO Default Project Site. Do you see that?</p> <p>8 A. Yes.</p> <p>9 Q. Do you know what IS PMO stands for?</p> <p>10 A. IS is Information Systems, and PMO is Project 11 Management Office.</p> <p>12 Q. Okay. And so it says here the name is 5046 - 13 Suspicious Order Monitoring and Reporting for 14 controlled substance distribution from the Distribution 15 Center. Do you see that?</p> <p>16 A. I do.</p> <p>17 Q. Okay. Is that an accurate description of the 18 name of the project?</p> <p>19 A. Yes.</p> <p>20 Q. The number there, is that just every project 21 initiation has some sort of number associated with it?</p> <p>22 A. To the best of my knowledge, yes. It's --</p> <p>23 it's a control number.</p> <p>24 Q. So then it has a description of the product -- 25 or of the project. Do you see that below?</p> |

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| <p>1 A. I do.</p> <p>2 Q. Okay. Can you read that aloud for the record?</p> <p>3 A. Develop effective controls against the</p> <p>4 diversion of controlled substances and conduct adequate</p> <p>5 due diligence to ensure that controlled substances</p> <p>6 distributed from the Distribution Centers are for</p> <p>7 legitimate business needs.</p> <p>8 Create a portal application that will use the</p> <p>9 RX Replenishment and Billing system information to</p> <p>10 create a reporting platform for suspicious order</p> <p>11 monitoring.</p> <p>12 Today blanket thresholds are manually enforced</p> <p>13 at 5,000 dosage units per individual ndc per week per</p> <p>14 store regardless of dispensing volume or trends. A</p> <p>15 process to systematically control based on store volume</p> <p>16 must be developed.</p> <p>17 Allow for DC to add comments and approvals on</p> <p>18 shipments to stores. This information needs to be</p> <p>19 available to show DEA if requested.</p> <p>20 Q. Is that an accurate description of the</p> <p>21 project?</p> <p>22 A. Yes. I -- yes. I believe you'll find that</p> <p>23 the description was fine-tuned a little bit as the</p> <p>24 project moved forward; but big picture, yes, that's an</p> <p>25 accurate description of it.</p> | <p>1 of exceptions that we've already talked about. One of</p> <p>2 them is that there were a few -- a handful of stores</p> <p>3 that had authorized exceptions to that that were</p> <p>4 allowed after research and confirmation by our</p> <p>5 government affairs department; and, as also mentioned</p> <p>6 earlier, we did have a number of stores that received</p> <p>7 biweekly deliveries.</p> <p>8 So this, where this says "per week," it really</p> <p>9 should probably say "per order."</p> <p>10 Q. So let's clarify, too. For biweekly, that</p> <p>11 means twice a week?</p> <p>12 A. No. That means every other week.</p> <p>13 Q. Okay.</p> <p>14 A. In the context where you'll see biweekly --</p> <p>15 you know, anyplace that you see a reference to biweekly</p> <p>16 stores from us, it's generally every other week. We</p> <p>17 had, I don't know, 1200, maybe more than that, stores</p> <p>18 that were delivered every other week.</p> <p>19 Q. Let's go down to the bottom of this page. It</p> <p>20 says Benefits, A brief description -- A brief</p> <p>21 explanation of the benefit for the project. Do you see</p> <p>22 that?</p> <p>23 A. I do.</p> <p>24 Q. Do you have an understanding about what</p> <p>25 information is being requested in the Benefit section?</p> |
| <p style="text-align: center;">Page 119</p> <p>1 Q. Are the statements that you just read true and</p> <p>2 correct as at the time that this was being written?</p> <p>3 MS. McENROE: Objection to form.</p> <p>4 THE WITNESS: They were true and correct from</p> <p>5 the perspective of that's what this project was</p> <p>6 being asked to do. The reason I'm answering that</p> <p>7 way is because, again, I want to emphasize, from</p> <p>8 our perspective, this was to replace a manual</p> <p>9 process that we already had in place.</p> <p>10 So I wouldn't want there to be a</p> <p>11 misunderstanding and someone think where it says</p> <p>12 "develop effective controls," that that implies</p> <p>13 there were no controls already in place. It was,</p> <p>14 this request was to develop a system application</p> <p>15 that included effective controls, so --</p> <p>16 BY MR. PIFKO:</p> <p>17 Q. It said in the passage you just read, Today</p> <p>18 blanket thresholds are manually enforced at 5,000</p> <p>19 dosage units per individual ndc per week per store</p> <p>20 regardless of dispensing volumes or trends. Do you see</p> <p>21 that?</p> <p>22 A. I do.</p> <p>23 Q. Is that accurate as of the date of the writing</p> <p>24 on this E-mail?</p> <p>25 A. Well, it's largely accurate. There's a couple</p> | <p style="text-align: center;">Page 121</p> <p>1 MS. McENROE: Objection to form.</p> <p>2 THE WITNESS: I don't know that any</p> <p>3 information is -- do you mean why -- is your</p> <p>4 question why the form has a section to request</p> <p>5 benefits?</p> <p>6 BY MR. PIFKO:</p> <p>7 Q. Fair enough. Bad question. What -- do you</p> <p>8 have an understanding about what the form is seeking</p> <p>9 when you input information into that portion of the</p> <p>10 form in the Benefit section?</p> <p>11 A. If you're -- I think I understand your</p> <p>12 question, and, if I do, if I understand it correctly,</p> <p>13 the purpose of that section of the form is for the</p> <p>14 requester to document what benefit the company will</p> <p>15 gain or what need is being potentially addressed if the</p> <p>16 project is completed.</p> <p>17 Q. Okay. And then can you read the language</p> <p>18 that's in the Benefit section there?</p> <p>19 A. Yep. It says, Compliance with 21 U.S.C. 823</p> <p>20 and/or C.F.R. 1307.74(b) to detect and report</p> <p>21 suspicious orders of controlled substances through the</p> <p>22 Distribution Centers.</p> <p>23 Maintain tolerance thresholds and order limits</p> <p>24 to identify suspicious orders in order to prevent</p> <p>25 diversion of controlled substances through any</p> |

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| <p>1 pharmacy.</p> <p>2 Q. Was that accurate at the time this was</p> <p>3 written?</p> <p>4 A. It's accurate to say that that goal was one of</p> <p>5 the projects of this -- or one of the expectations of</p> <p>6 this project; but again, I want to make sure, because</p> <p>7 it's not clearly stated here, that it was not to</p> <p>8 initiate compliance. It was to automate the manual</p> <p>9 processes that were already in place, so --</p> <p>10 Q. Then there's a longer form that goes with this</p> <p>11 as well, correct?</p> <p>12 A. Yes.</p> <p>13 (Rite-Aid Chapman Exhibit No. 3 was marked for</p> <p>14 identification.)</p> <p>15 BY MR. PIFKO:</p> <p>16 Q. I'm handing you what's marked as Exhibit 3.</p> <p>17 For the record, Exhibit 3 is a document Bates labeled</p> <p>18 Rite_Aid_OMDL_0014948 through 51. Please take a moment</p> <p>19 to review that, and let me know when you're done.</p> <p>20 A. Okay. Okay.</p> <p>21 Q. Have you seen this before?</p> <p>22 A. I have.</p> <p>23 Q. When was the last time you saw this document?</p> <p>24 A. Yesterday.</p> <p>25 Q. Prior to yesterday, when was the time before</p> | <p>1 labor benefits. All benefits are related to</p> <p>2 compliance. Do we need to quantify in any way? Do you</p> <p>3 see that?</p> <p>4 A. I do.</p> <p>5 Q. Do you have an understanding about what's</p> <p>6 being communicated there?</p> <p>7 A. Yes. What he's saying -- one of the things</p> <p>8 that, with any of these projects, if you -- let's say</p> <p>9 you did a -- not this project but a different IT</p> <p>10 project that was going to automate picking in some</p> <p>11 fashion and part of your justification was, by</p> <p>12 automating picking, we would eliminate 10 pickers.</p> <p>13 You would say, okay, eliminating 10 pickers is</p> <p>14 X number of dollars of payroll and payroll taxes,</p> <p>15 benefits, et cetera, et cetera. You would document</p> <p>16 that in this form, and then it would be removed from</p> <p>17 your budget when it was submitted.</p> <p>18 So what Chris is really saying is that even</p> <p>19 though this will make the process more efficient in the</p> <p>20 DCs, we're not really going to eliminate any pickers or</p> <p>21 anything. So we're not saying there's a payroll</p> <p>22 reduction that's appropriate from this.</p> <p>23 Q. So Chris is saying there's not going to be any</p> <p>24 labor savings as a result of this project?</p> <p>25 A. He's saying -- he's -- what he's -- the point</p> |
| Page 123 | Page 125 |
| <p>1 that that you saw it?</p> <p>2 A. 2013.</p> <p>3 Q. Okay. Can you tell me what this document</p> <p>4 reflects?</p> <p>5 A. Well, it's an E-mail string that also had a --</p> <p>6 it had the Project Initiation form attached to it</p> <p>7 evidently; but it's an E-mail string that was, you</p> <p>8 know, originated by Karyn Kunzig, who I mentioned is</p> <p>9 the -- was the director who was kind of responsible for</p> <p>10 all of the IT projects that were -- you know, involved</p> <p>11 supply chain, where she was asking for some additional</p> <p>12 information and feedback to complete the PI form, the</p> <p>13 Project Initiation form.</p> <p>14 So, you know, there was a -- I don't know,</p> <p>15 there's some back and forth with it about some</p> <p>16 different components of that, so --</p> <p>17 Q. One of the components of that is, if you turn</p> <p>18 to the second page, a discussion of the Benefit</p> <p>19 section.</p> <p>20 A. Correct.</p> <p>21 Q. So if you turn to the second page here,</p> <p>22 there's an E-mail from Chris dated Monday,</p> <p>23 September 23rd, 2013, at 8:35 a.m. Do you see that?</p> <p>24 A. I do.</p> <p>25 Q. And he says, Karyn, we are not submitting any</p> | <p>1 that he's making is, there aren't going to be any</p> <p>2 documented labor benefits that we would -- that we</p> <p>3 would expect to be removed from our budget.</p> <p>4 The process will be made more efficient, but</p> <p>5 we will not reduce head count because of that, if that</p> <p>6 makes sense, you know, that this isn't going to result</p> <p>7 in the elimination of someone's job.</p> <p>8 Q. Then Janet writes back about 20 minutes later.</p> <p>9 Do you see that --</p> <p>10 A. I do.</p> <p>11 Q. -- above there?</p> <p>12 And you're one of the recipients of that</p> <p>13 E-mail. Do you see that?</p> <p>14 A. I do.</p> <p>15 Q. Do you recall getting that?</p> <p>16 A. I do.</p> <p>17 Q. Can you read what she says here?</p> <p>18 A. Janet said, Compliance is huge. In the most</p> <p>19 recently filed but then dismissed lawsuit in McDowell</p> <p>20 County, West Virginia, the county commissioners filed a</p> <p>21 suit against Rite-Aid and several independent</p> <p>22 pharmacies for four counts relating to drug diversion.</p> <p>23 Much of the discovery documentation in that</p> <p>24 case was around suspicious orders. Several other</p> <p>25 counties in West Virginia have filed suit against many</p> |

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| <p>1 wholesalers for shipping the products into 2 West Virginia and causing the drug problem. 3 I will put something together for Karyn for 4 tomorrow when she returns. 5 Q. So when she says she's going to put something 6 together, that's for the Benefit section of the Project 7 Initiation form? 8 MS. McENROE: Objection to form. 9 THE WITNESS: Yes. It would be for the 10 Benefits portion. 11 BY MR. PIFKO: 12 Q. And so you understand that based on this, 13 there was a connection between some of the allegations 14 in the lawsuits in West Virginia to this project? 15 MS. McENROE: Objection to form. 16 THE WITNESS: No. I'm not sure I would say 17 that there's a connection there. What I would say 18 is that -- I believe the point that Janet is 19 getting at is, and I -- I'm going to preface this 20 by saying I don't have direct knowledge of this, 21 but I'm sure they had to pull together a lot of 22 documentation, you know, data that, ultimately, it 23 sounds like resulted in this case being dismissed. 24 You'll recall that I mentioned that when this 25 project was initiated, it wasn't just to automate</p> | <p>1 A. No. 2 Q. Did you have any knowledge that these lawsuits 3 had been filed? 4 A. When they were initiated? 5 Q. Yeah. 6 A. No. 7 Q. Aside from discussions with lawyers, did you, 8 in connection with receiving this E-mail, have any 9 discussions with anyone on your team about the fact 10 that this lawsuit had been filed and any actions the 11 company might take? 12 A. No. I don't recall anything -- anything other 13 than what's in this E-mail about these lawsuits. 14 Q. It also says, the second to last sentence 15 there that you read, Several other counties in 16 West Virginia have filed suit against many wholesalers 17 for shipping the products into West Virginia and 18 causing the drug problem. Do you see that? 19 A. I do. 20 Q. Did you have any understanding that there were 21 lawsuits in West Virginia that were against wholesalers 22 for allegedly causing a drug problem? 23 A. Beyond what's in this E-mail, I -- I wouldn't 24 have known of anything, you know, unless, you know, if 25 something made the Business Press perhaps; but, as a</p> |
| <p style="text-align: center;">Page 127</p> <p>1 what took place in the DC, it was also to create a 2 reporting platform that could be used by the loss 3 prevention department or for the government 4 affairs department to kind of more efficiently do 5 some things that they now had to do in other 6 systems and other processes. 7 So I think -- I think that that's what she's 8 getting at, is that she's saying, you know, in 9 effect, Hey, we had to do a bunch of stuff here, 10 and ultimately this case was dismissed. 11 This project, one of the benefits of this 12 project is we will be able to do that in a more 13 efficient manner and in a simpler, more automated 14 way is what I believe she's getting at. 15 I -- I would not say that I think she's 16 directly associating that -- anything with that 17 suit to this project because it sounded like it 18 was already dismissed, by the way. 19 BY MR. PIFKO: 20 Q. This same Janet Hart, to be clear for the 21 record, that you've talked about earlier? 22 A. It is. 23 Q. Aside from communications with any lawyers, 24 did you have any discussions about the West Virginia 25 lawsuits?</p> | <p style="text-align: center;">Page 129</p> <p>1 general statement, no, nothing other than what's in 2 this E-mail. 3 Q. Do you know if, at this time, Rite-Aid had 4 stores in West Virginia where it shipped controlled 5 substances to them? 6 A. We did have stores in West Virginia, and we 7 did ship controlled substances to them. 8 (Rite-Aid Chapman Exhibit No. 4 was marked for 9 identification.) 10 BY MR. PIFKO: 11 Q. I'm handing you what's marked as Exhibit 4. 12 A. Okay. 13 Q. For the record, Exhibit 4 is a multiple page 14 E-mail Bates labeled Rite_Aid_OMDL_0024619 through 622. 15 Please take a moment to review this, and let me know 16 when you're done. 17 A. Okay. 18 Q. Have you seen this before? 19 A. I have. 20 Q. When was the last time you saw this? 21 A. Yesterday. 22 Q. Prior to yesterday, when was the last time you 23 saw it? 24 A. 2013. 25 Q. So this is -- a following up on some of the</p> |

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| <p>1 discussion that was reflected in Exhibit 3. Do you 2 agree? 3 A. Yes. 4 Q. Some of the same E-mails are below -- 5 A. Yes. 6 Q. -- in Exhibit 4? 7 A. Yes. 8 Q. Can you tell me what -- in the top E-mail, 9 it's an E-mail from you to Karyn copying Chris dated 10 October 4th, 2013. Do you see that? 11 A. I do. 12 Q. Okay. Can you tell me what's being reflected 13 there? 14 A. Well, as I mentioned, my area of 15 responsibility spanned multiple things. You know, this 16 was just one set of that, you know, and certainly not 17 to minimize it, but -- so I was not necessarily the 18 designer of the detail of a project like this, but I 19 did have some strong feelings about the structure, the 20 way you'd put the project together. 21 And what I actually tried to reflect in an 22 E-mail a couple -- you know, a couple earlier in this 23 string was, I was requesting -- it was really more of a 24 technical point, that I was requesting that when the IT 25 department developed this, as opposed to writing</p> | <p>1 I'm quite sure what happened is I asked Chris, 2 I said, Okay, Chris, you know, give me what you would 3 want for this. What would you expect the values to be? 4 He sent it to me, and I cut and pasted it into this 5 E-mail to respond back to Karyn. 6 So this -- this entire string is really more 7 about the structure and the way the IT department would 8 approach the project as opposed to the details of the 9 project itself. 10 Q. So with respect to the reason codes here, do 11 you see that? 12 A. I do. 13 Q. And the idea is for the reason codes there, 14 that's the point you're saying that you pasted in from 15 Chris? 16 A. It is. 17 Q. Okay. Do you have an understanding about what 18 those reason codes are? 19 A. I can read and understand them. I -- 20 candidly, Chris and I didn't have a lot of discussion 21 about it because the entire point of this was to give 22 Karyn some examples so she would know, like, the sizes 23 of the fields and things of that nature. 24 We may very well have ended up with different 25 reason codes than what's here, but she just wanted</p> |
| <p style="text-align: center;">Page 131</p> <p>1 program code that executed all of these decisions, that 2 they would create tables that would be populated and -- 3 and the program code would draw on the data in those 4 tables to do the decision-making; and that request was 5 based on my background and history in working with IT 6 departments and working on other projects and the 7 thought process that if we made it table driven, that 8 if later there was reason to add additional reasons or 9 make changes, we wouldn't have to come back to the IT 10 department and request a change from them. We would be 11 able to simply update the table. 12 So that was the point that I was making, and 13 it really wasn't, you know, about the detail of the 14 project itself. It was more the structure of how IT 15 was going to do its work; and so, you know, as you see, 16 you know, Karyn came back to me and asked me, okay, do 17 you -- because I said, you know, we'll want this all to 18 be table driven, and she asked for some examples of the 19 data that we would put in the table. 20 I subsequently asked Chris, because Chris 21 would have been the one that would have been working on 22 this at that level -- and you may notice on E-mail that 23 I sent that there's a difference in font between the 24 top part and the part where it begins saying Approved 25 Order.</p> | <p style="text-align: center;">Page 133</p> <p>1 something as an example that she could give a 2 programmer, so -- 3 Q. Do you have an understanding about what these 4 reason codes generally were -- reasons for what? What 5 are they trying to reflect? 6 MS. McENROE: Objection to form. 7 THE WITNESS: Well, again, I -- this is more 8 from reading it than -- because I'm confident 9 Chris and I didn't have a discussion about this. 10 I simply asked him, Give some values to Karyn so 11 she can do the design work here. 12 So I can read it and kind of infer what 13 Chris's thought process was. So from that 14 perspective, yes, I can answer that, so -- 15 BY MR. PIFKO: 16 Q. What -- at the time, what was your 17 understanding of what these reason codes were? 18 A. These were examples to give to Karyn for her 19 to do the design work. We would later then finalize 20 what the reasons and the reason codes and the verbiage 21 and all that kind of stuff, you know, in consultation 22 with loss prevention and Janet, you know, other people 23 would be involved in it; and we would actually populate 24 the data based on that, but these were really meant to 25 just represent an example of what could be reason codes</p> |

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| <p>1 for this table, those tables.</p> <p>2 Q. So they're talking about types of orders.</p> <p>3 Would you agree? Order Approved, Suspicious Activity,</p> <p>4 Suspicious Order. Do you see that?</p> <p>5 A. I would agree.</p> <p>6 Q. So did you understand that this system was</p> <p>7 going to have some sort of way that people could</p> <p>8 document whether, for example, an order was approved</p> <p>9 or, for example, whether it was suspicious?</p> <p>10 A. That was part of the design, yes.</p> <p>11 Q. That was going to be something that this</p> <p>12 project was going to allow you to do?</p> <p>13 A. We would have the ability to flag an order</p> <p>14 using -- or flag an order with various labels, if</p> <p>15 that's the right term, and suspicious orders certainly</p> <p>16 would have been one of those if we had ever encountered</p> <p>17 a suspicious order.</p> <p>18 (Rite-Aid Chapman Exhibit No. 5 was marked for</p> <p>19 identification.)</p> <p>20 BY MR. PIFKO:</p> <p>21 Q. I'm handing you what's marked as Exhibit 5.</p> <p>22 A. Okay.</p> <p>23 Q. For the record, Exhibit 5 is a document</p> <p>24 entitled Project Initiation Document concerning Project</p> <p>25 5046, which is Bates labeled Rite_Aid_OMDL_0024623</p> | <p>1 so" is I saw multiple iterations of this document as it</p> <p>2 evolved yesterday, and I believe this was one of them,</p> <p>3 so --</p> <p>4 Q. So if we look back at Exhibit 4, if you see on</p> <p>5 the first page there, if you put Exhibit 4 back in</p> <p>6 front of you, you're actually -- in the E-mail that you</p> <p>7 sent on October 4th, 2013, you're actually forwarding</p> <p>8 an E-mail from Karyn, which is below. Do you see that?</p> <p>9 A. Yes.</p> <p>10 Q. Do you agree with that?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And in Karyn's E-mail dated</p> <p>13 October 2nd, 2013, at the end she says, Attached is the</p> <p>14 most current PI doc. Do you see that?</p> <p>15 A. I do.</p> <p>16 Q. And then -- so that's dated October 2nd, and</p> <p>17 then do you see at the top of Exhibit 4 there's an</p> <p>18 attachment, Suspicious Order Monitoring PI docx. Do</p> <p>19 you see that?</p> <p>20 A. I do.</p> <p>21 Q. Okay. So this is the -- you agree this is</p> <p>22 the -- it's dated, if you look at the first page,</p> <p>23 October 2nd, 2013. Do you see that?</p> <p>24 A. I do.</p> <p>25 Q. So do you agree that this is the document that</p> |
| <p style="text-align: center;">Page 135</p> <p>1 through 24636. So take a moment to review this, and</p> <p>2 let me know when you're done.</p> <p>3 MS. McENROE: And while he's looking at that,</p> <p>4 just really quick for the record, is this Exhibit</p> <p>5 the attachment to Exhibit 6, do you know?</p> <p>6 MR. PIFKO: Yeah. I was going to discuss that</p> <p>7 with him, but yes.</p> <p>8 MS. McENROE: Okay. But they were produced</p> <p>9 that way together?</p> <p>10 MR. PIFKO: I believe that's correct. The</p> <p>11 Bates labels are consecutive.</p> <p>12 MS. McENROE: I'm sorry. I said Exhibit 6. I</p> <p>13 meant Exhibit 4.</p> <p>14 MR. PIFKO: Exhibit 4.</p> <p>15 MS. McENROE: Yep.</p> <p>16 MR. PIFKO: Exhibit 4 ends at 0024622, and</p> <p>17 Exhibit 5 begins at 24623.</p> <p>18 MS. McENROE: Thank you.</p> <p>19 THE WITNESS: Okay.</p> <p>20 BY MR. PIFKO:</p> <p>21 Q. Have you seen this document before?</p> <p>22 A. I believe so.</p> <p>23 Q. Okay. When was the last time you recall</p> <p>24 seeing this document?</p> <p>25 A. Well, I saw -- the reason I said "I believe</p> | <p style="text-align: center;">Page 137</p> <p>1 was attached to that -- to Exhibit 4?</p> <p>2 A. Yes, it appears that it would be that</p> <p>3 document.</p> <p>4 Q. Okay. Can you tell me, we've been talking</p> <p>5 about this generally, but can you tell me what this</p> <p>6 Exhibit 5 is?</p> <p>7 A. Whenever a project, you know, began to reach</p> <p>8 the point at where it appeared really something was</p> <p>9 going to be initiated and this -- this was pulled</p> <p>10 together -- this would get pulled together to a point</p> <p>11 where it would begin to be routed for approvals.</p> <p>12 So that's what this form and this document is</p> <p>13 for, is to complete the documentation of all the</p> <p>14 associated -- the key information that an executive</p> <p>15 would need to decide whether or not they agreed to</p> <p>16 approve this project or not and then actually would be</p> <p>17 the form that would ultimately be routed to get it</p> <p>18 approved, so --</p> <p>19 Q. If you look back at the exhibits, I believe</p> <p>20 it's Exhibit 2 is the first time you started discussing</p> <p>21 this project back in June 2013. Do you agree?</p> <p>22 MS. McENROE: Objection to form.</p> <p>23 THE WITNESS: It -- we certainly were</p> <p>24 discussing it then in June of 2013, yes.</p> <p>25 BY MR. PIFKO:</p> |

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| <p>1 Q. Okay. You may have started discussing it 2 earlier?</p> <p>3 A. Yeah. I couldn't tell you whether there were 4 earlier discussions. I wouldn't recall that, but 5 certainly we were discussing it in June of 2013.</p> <p>6 Q. Okay. And so this is several months later as 7 the project is further developed, and you were getting, 8 like you said, to a process -- the point where you are 9 putting information into this form that will ultimately 10 get circulated for approval?</p> <p>11 A. Yeah. It appears to be about three and a half 12 months later.</p> <p>13 Q. Okay. And so there's people listed on the 14 front here under Approvals. Do you see that?</p> <p>15 A. I do.</p> <p>16 Q. Okay. And this reflects people that would 17 ultimately have to sign off on the project to approve 18 it?</p> <p>19 A. For it to move forward, yes.</p> <p>20 Q. Okay. As far as process, if these people sign 21 off, then what happens?</p> <p>22 A. It then would get in the IT work queue and 23 would be -- there was a -- there's a -- was a separate 24 process by which all of the projects that were approved 25 through this activity were routed to IT; and, if -- if,</p> | <p>1 understanding of when this project was to be 2 implemented?</p> <p>3 A. Based on this, it would not be fully completed 4 until December of 2014.</p> <p>5 Q. The -- going back to the first page of the 6 document, you mentioned Mr. Lester earlier. Can you 7 tell me who he is?</p> <p>8 A. He was my boss. He was the senior vice 9 president of supply chain.</p> <p>10 Q. Is there anyone higher than him that would 11 have had to approve this project?</p> <p>12 A. No one higher than him would have had to 13 approve it for it to go into the IT department work 14 queue. There ultimately was an approval process of 15 which projects the IT department then initiated, and 16 there was a separate process for that that was called a 17 capital project request because of the cost for doing a 18 project of this sort and a, you know, a different 19 routing form for the approvals for that.</p> <p>20 Q. What's your understanding of what the cost for 21 this project was?</p> <p>22 A. Well, there's a -- there's a cost estimate in 23 here. I think it showed -- let's find it. The IT 24 estimate was \$435,600.</p> <p>25 Q. And again, for the record, you're looking at</p> |
| <p style="text-align: center;">Page 139</p> <p>1 in fact, the number of those projects exceeded IT's 2 ability to execute right now, they would be scheduled 3 out and/or ultimately could be, I guess, disapproved 4 if, you know, reasons changed that would make it 5 unnecessary to do a project.</p> <p>6 But -- but this would be -- the completion of 7 this would be the step to say, yes, we, a supply chain, 8 want to initiate this project, and we want it in the IT 9 work queue.</p> <p>10 Q. Do you have an understanding of when the 11 expectation was for getting this project implemented --</p> <p>12 MS. McENROE: Objection to form.</p> <p>13 BY MR. PIFKO:</p> <p>14 Q. -- as far as the time?</p> <p>15 A. There's actually a timeline attached to this. 16 So I would say that the timeline that's attached to 17 this would be, since it was prepared by the IT 18 department, it would be the IT department's expectation 19 of delivery of this project.</p> <p>20 Q. Okay. And to be clear for the record, that's 21 on the page that's labeled 0024630. Is that what 22 you're looking at? There's a number on the bottom 23 corner.</p> <p>24 A. Yes, that is what I'm looking at.</p> <p>25 Q. And so based on reviewing this, what's your</p> | <p style="text-align: center;">Page 141</p> <p>1 0024631; is that correct?</p> <p>2 A. Correct.</p> <p>3 Q. The cost estimate there, would there be 4 ongoing costs as well associated with maintaining a 5 project like this that you're aware of?</p> <p>6 A. To the best of my knowledge, no, once it was 7 initiated. Nothing -- I mean, obviously you have to 8 maintain the computer. You know, there's some hardware 9 maintenance and things of that nature. You pay -- you 10 pay licensing fees for databases.</p> <p>11 So all of that comes with any project; but 12 beyond that, to the best of my knowledge, I would say 13 no.</p> <p>14 Q. Let's look at some of the pages in here. If 15 you'd turn to the page 3 of the document. Let me know 16 when you're there.</p> <p>17 A. Okay. This is the one that the Bates stamp is 18 24625?</p> <p>19 Q. Correct.</p> <p>20 A. Okay.</p> <p>21 Q. Do you see here Background / Summary of the 22 Project?</p> <p>23 A. I do.</p> <p>24 Q. Okay. Can you read that for the record?</p> <p>25 A. The purpose of this project is to develop</p> |

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| <p>1 effective controls against the diversion of controlled 2 substances and conduct adequate due diligence to ensure 3 that controlled substances distributed from the 4 Rite-Aid Distribution Centers are for legitimate 5 patient needs. 6 Rite-Aid must ensure compliance with 21 U.S.C. 7 823 and/or C.F.R. 1307.74(b) to detect and report 8 suspicious orders of controlled substances through the 9 distribution centers.</p> <p>10 Q. That's similar to language we saw in Exhibit 11 2, correct?</p> <p>12 A. Yes. That is similar to that language.</p> <p>13 Q. This is consistent with your understanding of 14 the purpose of the project?</p> <p>15 A. It is.</p> <p>16 Q. Now let's go back to Exhibit 2.</p> <p>17 A. Okay.</p> <p>18 Q. I want to ask you, if you look at the first 19 sentence in the Description on Exhibit 2.</p> <p>20 A. Yes.</p> <p>21 Q. Tell me when you're there.</p> <p>22 A. I am. I'm there.</p> <p>23 Q. It says, Develop effective controls against 24 the diversion of controlled substances and conduct 25 adequate due diligence to ensure that controlled</p> | <p>1 "patient needs."</p> <p>2 Q. Do you recall being part of any other 3 discussions about that change?</p> <p>4 A. I do not.</p> <p>5 Q. Let's stay on the same page of Exhibit 5 --</p> <p>6 A. Okay.</p> <p>7 Q. -- page 3. Let me know when you're there.</p> <p>8 A. Okay.</p> <p>9 Q. All right. There's a section called Project 10 Scope. Do you see that?</p> <p>11 A. I do.</p> <p>12 Q. It mentions the Pharmacy Replenishment Order 13 Review application. Do you see that?</p> <p>14 A. I do.</p> <p>15 Q. Do you know what that is?</p> <p>16 A. Again, I'm not an expert on the -- on the 17 systems that created the orders. I believe that 18 that -- what that refers to is, in the pharmacy after 19 the system created the order, there was an application 20 where the order was presented to the pharmacist, and 21 the pharmacist was given the opportunity to, within 22 limitations, was given the opportunity to make 23 modifications to that order.</p> <p>24 Q. To your knowledge, is that something that was 25 in place the entire time that you were VP of logistics?</p> |
| <p style="text-align: center;">Page 143</p> <p>1 substances distributed from the Distribution Centers 2 are for legitimate business needs. Do you see that?</p> <p>3 A. I do.</p> <p>4 Q. Okay. And then the document dated 5 October 2nd, 2013, says at the -- it's the same 6 sentence except at the end it says "for legitimate 7 patient needs." Do you see that?</p> <p>8 A. I do.</p> <p>9 Q. Do you recall a discussion of changing the 10 language from "business needs" to "patient needs"?</p> <p>11 A. I don't recall a discussion. I think that 12 there was an E-mail string where there was some 13 communication about that, and I think it was intended 14 to reflect the fact that, you know, as always, our -- 15 our goal as a chain pharmacy is to serve our patients 16 and to make sure that we have the medications available 17 to our patients that they need to have, so --</p> <p>18 Q. Do you know where the language "legitimate 19 business needs" in the original document in June 2013 20 came from?</p> <p>21 A. I do not.</p> <p>22 Q. But you recall there being E-mails about 23 changing that from "business needs" to "patient needs"?</p> <p>24 A. Yes, I believe there was an E-mail string 25 where that was -- that was discussed to change it to</p> | <p style="text-align: center;">Page 145</p> <p>1 A. I believe that it was.</p> <p>2 Q. Was that ever removed from the process?</p> <p>3 A. Not that I'm aware of.</p> <p>4 Q. And that was part of the process when you took 5 the position of VP of logistics?</p> <p>6 A. To the best of my knowledge it was.</p> <p>7 Q. Let's look down at the Project Scope section, 8 the third paragraph. Tell me when you're there.</p> <p>9 A. I'm there.</p> <p>10 Q. Okay. Can you read the first sentence for me?</p> <p>11 A. Various reporting will be available to 12 identify trends in over overrides (sic), increased 13 volume of controlled substance ordering, and repeated 14 downward cycle counts.</p> <p>15 Q. Do you have an understanding of what that's 16 referring to?</p> <p>17 A. I do.</p> <p>18 Q. Can you tell me?</p> <p>19 A. It -- what it's talking about is -- and I'm 20 confident that there -- the goal in incorporating it in 21 this project was to replace things that were being 22 manually run on an ad hoc basis instead of being 23 contained within a given system, was the overrides were 24 what we described -- talked about earlier where a 25 pharmacist can, you know, update the order and change a</p> |

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| <p>1 quantity.</p> <p>2 The increased volume of controlled substance</p> <p>3 ordering, we just see if there was a trend where there</p> <p>4 was a controlled substance ordering; and repeated</p> <p>5 downward cycle counts, a cycle count refers to doing an</p> <p>6 inventory verification of your on-hand balance and</p> <p>7 physically counting what you have on hand and comparing</p> <p>8 it to what the system shows that you have on hand.</p> <p>9 So when it talks about repeated downward cycle</p> <p>10 counts, it's if someone repeatedly changed the, in the</p> <p>11 store, changed the on-hand balance to a lower number.</p> <p>12 Q. So when this talks about repeated downward</p> <p>13 cycle counts, that's the situation where there's</p> <p>14 repeated occasions of someone in the store lowering the</p> <p>15 reported inventory at a particular location in the</p> <p>16 computer system?</p> <p>17 A. That's what I would take this to mean, yes.</p> <p>18 Q. And did you understand that that was</p> <p>19 reflective of any concern?</p> <p>20 MS. McENROE: Objection to form.</p> <p>21 THE WITNESS: I have -- I would have no idea.</p> <p>22 This, you know -- no, I don't understand -- I do</p> <p>23 not have any understanding specific to that, and I</p> <p>24 probably wouldn't because this is talking about</p> <p>25 management of the pharmacies in the stores that I</p> | <p>1 BY MR. PIFKO:</p> <p>2 Q. You talked about a manual collection of</p> <p>3 certain data. Do you know if that -- that data was</p> <p>4 collected manually prior to this?</p> <p>5 A. Of my own knowledge, no. That wouldn't have</p> <p>6 been -- this is referring to activities that would have</p> <p>7 taken place in our loss prevention department. So I</p> <p>8 can tell you, you know, generally I'm quite confident</p> <p>9 that they did a lot of reporting and analysis to ensure</p> <p>10 that we were in compliance with everything we needed to</p> <p>11 be in compliance with, but I wasn't involved in it, so</p> <p>12 I can't speak authoritatively on exactly what they did.</p> <p>13 Q. How about identifying trends and order</p> <p>14 overrides, are you aware of any manual reporting of</p> <p>15 trends and order overrides that occurred prior to this</p> <p>16 time?</p> <p>17 A. I know that they could and did generate</p> <p>18 reports of manual overrides, controlled substances and</p> <p>19 non-controlled substances, you know, other items as</p> <p>20 well. So I know that that took place, but again, that</p> <p>21 wasn't part of my area of responsibility.</p> <p>22 Q. Do you know who within the company would have</p> <p>23 received those reports?</p> <p>24 A. I -- I don't. It would have been -- again,</p> <p>25 this would have been a function of the loss prevention</p> |
| <p style="text-align: center;">Page 147</p> <p>1 didn't have any responsibilities for and wasn't</p> <p>2 involved in.</p> <p>3 BY MR. PIFKO:</p> <p>4 Q. Do you have an understanding about why that's</p> <p>5 something that was being included in the reporting as</p> <p>6 part of this project?</p> <p>7 A. I do.</p> <p>8 Q. Okay. What's your understanding of that?</p> <p>9 A. Well, as mentioned earlier, the ordering</p> <p>10 system takes into account the demand, which is driven</p> <p>11 by your usage or your consumption of a product, and</p> <p>12 your on-hand balance.</p> <p>13 So if someone reduces the on-hand balance, it</p> <p>14 will result in an increased order from the distribution</p> <p>15 center. So that's what this is referring to.</p> <p>16 Q. Okay. And do you have an understanding about</p> <p>17 why the company wanted to have reporting on that</p> <p>18 parameter?</p> <p>19 MS. McENROE: Objection to form.</p> <p>20 THE WITNESS: Again, this isn't my area of</p> <p>21 responsibility, but I'm -- I'm sure that they</p> <p>22 would be interested in seeing if the same item was</p> <p>23 adjusted down, thereby causing a -- an increase in</p> <p>24 the inventory, in the shipments of that item to a</p> <p>25 given store.</p> | <p style="text-align: center;">Page 149</p> <p>1 department, and they would have worked with store op --</p> <p>2 store pharmacy operations in dealing with it, so --</p> <p>3 Q. How about increased volume of controlled</p> <p>4 substances ordering, do you see that?</p> <p>5 A. I do.</p> <p>6 Q. Do you have an understanding that there was a</p> <p>7 manual reporting of that type of information prior to</p> <p>8 this time?</p> <p>9 A. I would expect that there was, so --</p> <p>10 Q. But you don't know either way?</p> <p>11 A. Again, that wasn't my area of responsibility,</p> <p>12 so --</p> <p>13 Q. You've never seen a report concerning</p> <p>14 increased volume of controlled substances ordering at a</p> <p>15 particular store?</p> <p>16 A. I don't ever remember seeing a report of</p> <p>17 increased volume of controlled substances ordering from</p> <p>18 a particular store.</p> <p>19 Q. Let's turn to the four -- the fifth page of</p> <p>20 this document, which is Bates labeled, the same prefix,</p> <p>21 0024627.</p> <p>22 A. Okay.</p> <p>23 Q. Tell me when you're there. Okay. So this has</p> <p>24 some similar language we discussed earlier. If you'd</p> <p>25 read the first sentence there. Can you read it for the</p> |

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| <p>1 record?</p> <p>2 A. Today blanket thresholds are manually enforced</p> <p>3 at 5,000 dosage units per individual NDC per week per</p> <p>4 store regardless of dispensing volumes or trends.</p> <p>5 Q. As we discussed, that's a true statement as of</p> <p>6 the date of this report?</p> <p>7 MS. McENROE: Objection to form.</p> <p>8 THE WITNESS: With the exceptions that we</p> <p>9 discussed earlier, yes.</p> <p>10 BY MR. PIFKO:</p> <p>11 Q. And then can you read the second sentence?</p> <p>12 A. This is a labor intensive process with</p> <p>13 opportunity for order lines to be missed.</p> <p>14 Q. Do you have an understanding about what that's</p> <p>15 reflecting there?</p> <p>16 A. Yes.</p> <p>17 Q. Okay. What is your understanding?</p> <p>18 A. It's saying that this was a manual process,</p> <p>19 that we, as we talked about earlier, that the order</p> <p>20 selectors had to manually record, and then it would --</p> <p>21 it was entered into an Excel spreadsheet, so --</p> <p>22 Q. And there's a concern that given the labor</p> <p>23 intensive process, order lines could be missed in the</p> <p>24 analysis?</p> <p>25 A. Well, certainly any manual process is -- is --</p> | <p>1 think of why this project couldn't have been initiated</p> <p>2 a few years earlier?</p> <p>3 MS. McENROE: Objection to form.</p> <p>4 THE WITNESS: I'm not aware of any reason that</p> <p>5 would have prevented it from being initiated, but</p> <p>6 I -- I will again point out that we had manual</p> <p>7 processes in place to accomplish what this project</p> <p>8 was intended to accomplish at the distribution</p> <p>9 centers.</p> <p>10 So in terms of, you know, the urgency of it</p> <p>11 from the distribution center's perspective, we</p> <p>12 had -- we had manual processes in place for this.</p> <p>13 BY MR. PIFKO:</p> <p>14 Q. This talks about -- well, the third sentence</p> <p>15 says, In addition, stores which truly need this</p> <p>16 quantity must order it from McKesson. Do you see that?</p> <p>17 A. I do.</p> <p>18 Q. Do you have an understanding about what that's</p> <p>19 referring to?</p> <p>20 A. It refers to the fact that we had that blanket</p> <p>21 threshold at 5,000 dosage units; and, if a store's</p> <p>22 legitimate needs caused it to need, you know, instead</p> <p>23 of -- if it was a bottle of a hundred and they ordered</p> <p>24 60 and we cut the order to 50, which is what we would</p> <p>25 have done and they legitimately needed the 60, were</p> |
| <p style="text-align: center;">Page 151</p> <p>1 has the potential for error. So that would be</p> <p>2 something we would -- we would state as part of this,</p> <p>3 yes.</p> <p>4 Q. Do you recall there being a specific</p> <p>5 discussion about concerns about order lines being</p> <p>6 missed in the review here?</p> <p>7 A. I do not. I'm not aware of any instances of</p> <p>8 an order line being missed; but again, any manual</p> <p>9 process, it would be inaccurate to not acknowledge that</p> <p>10 there's a potential for error with that.</p> <p>11 Q. Do you know if there was any reason why</p> <p>12 Rite-Aid couldn't have implemented a system like this</p> <p>13 earlier?</p> <p>14 MS. McENROE: Objection to form.</p> <p>15 THE WITNESS: I -- I'm -- I guess I'm trying</p> <p>16 to think of the right way to answer that. Any</p> <p>17 project of this sort requires time to design. You</p> <p>18 know, if you want it to be effective, it requires</p> <p>19 time to design, develop, deploy.</p> <p>20 So there would have been a time window for</p> <p>21 this to be done, regardless of when it was</p> <p>22 initiated. So I'm not sure if that answers your</p> <p>23 question or not.</p> <p>24 BY MR. PIFKO:</p> <p>25 Q. Fair enough. Is there any reason that you can</p> | <p style="text-align: center;">Page 153</p> <p>1 unable to service their customer and provide the</p> <p>2 medication to our customers without getting the</p> <p>3 additional 10, they could and would have ordered those</p> <p>4 additional 10 from McKesson.</p> <p>5 Q. Would the particular store order that directly</p> <p>6 from McKesson?</p> <p>7 A. Yeah. To the best of my knowledge, yes.</p> <p>8 Again, that's an area I'm not an expert in; but yes, I</p> <p>9 believe there was a mechanism where stores ordered</p> <p>10 directly through McKesson.</p> <p>11 Q. Was there any reporting of orders that were</p> <p>12 made through McKesson back up to the distribution</p> <p>13 center?</p> <p>14 MS. McENROE: Objection to form.</p> <p>15 THE WITNESS: I'm not aware of any orders --</p> <p>16 any reporting that came back to the distribution</p> <p>17 center, but there certainly was reporting that</p> <p>18 came back to the corporate office.</p> <p>19 BY MR. PIFKO:</p> <p>20 Q. Okay. So it's your understanding that if a</p> <p>21 store ordered directly from McKesson, that order would</p> <p>22 have been reported back to headquarters?</p> <p>23 A. It's my understanding there was reporting</p> <p>24 of -- of order volumes to McKesson that came back to</p> <p>25 the corporate headquarters.</p> |

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| <p>1 Q. What's the basis of that understanding?</p> <p>2 A. Because one of the things that we -- we focus</p> <p>3 on in my line of work was to try to service our</p> <p>4 customers -- our customers were the stores -- as</p> <p>5 thoroughly as possible.</p> <p>6 So, frankly, we didn't like it when orders had</p> <p>7 to go to McKesson because -- and this is -- you have to</p> <p>8 realize that orders went to McKesson for non-controlled</p> <p>9 substances.</p> <p>10 So if an order had to go to McKesson, it meant</p> <p>11 that that's something that we didn't satisfy and the</p> <p>12 store's needs were. So that's why I know there were</p> <p>13 reports that came back that they went to McKesson.</p> <p>14 Q. Do you know if there's a name for those</p> <p>15 reports?</p> <p>16 A. I -- I don't, but I know there was reporting</p> <p>17 that came back, so --</p> <p>18 Q. The next sentence here says, A new Billing</p> <p>19 application will be developed which will, and then it's</p> <p>20 got all these bullet points. Do you see this?</p> <p>21 A. I do.</p> <p>22 Q. And so it talks about -- the first bullet</p> <p>23 point says, Provide parameters for both Percent and</p> <p>24 Quantity in which the order override was greater than</p> <p>25 the suggested order. Do you see that?</p> | <p>1 and by unit was being collected manually at this time?</p> <p>2 A. I don't know the answer to that.</p> <p>3 Q. It says, Separate parameters are required for</p> <p>4 Weekly and Bi-weekly stores order -- order stores. Do</p> <p>5 you see that?</p> <p>6 A. I do.</p> <p>7 Q. Do you have an understanding about why that</p> <p>8 would be?</p> <p>9 A. I do. The reason is that obviously a biweekly</p> <p>10 store, it's -- if -- it's not getting an order for two</p> <p>11 more weeks. So the quantity that you would ship to</p> <p>12 them needs to reflect the lead time of it being two</p> <p>13 more weeks before they get their order as opposed to</p> <p>14 the lead time of only one more week that another store</p> <p>15 would be getting their order.</p> <p>16 That's why you'd need to -- again, the</p> <p>17 algorithm would need to take that into account</p> <p>18 separately.</p> <p>19 Q. If you look at the third bullet point down</p> <p>20 here, it says, Identify all controlled drug order lines</p> <p>21 which exceed the Percent or Quantity Override control</p> <p>22 values. Do you see that?</p> <p>23 A. I do.</p> <p>24 Q. Do you know what that means?</p> <p>25 A. It would -- yes, I do. It's to take the</p> |
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| <p>1 A. I do.</p> <p>2 Q. Do you have an understanding about what that's</p> <p>3 reflecting?</p> <p>4 A. I do.</p> <p>5 Q. Can you tell me?</p> <p>6 A. It's reflecting that when you're doing the</p> <p>7 mathematical computation, it's not practical to limit</p> <p>8 that computation to only being a percentage or only</p> <p>9 being a unit quantity because it -- it's highly</p> <p>10 impacted by the pack size of an item.</p> <p>11 You know, if you want one more of an item,</p> <p>12 let's say, you know, using the example you used</p> <p>13 earlier, if they wanted one more of an item that's</p> <p>14 packed 50 and, you know, they wanted to go from -- I'm</p> <p>15 sorry -- it was packed one and they wanted to go from</p> <p>16 5,000 to 5,001, well, that's a fraction of a percent</p> <p>17 increase; but, if it's packed -- let's say it's packed</p> <p>18 5,000 and they wanted one more, it's a hundred percent</p> <p>19 increase.</p> <p>20 So it's really making the point that to --</p> <p>21 that as a part of the design of this, that we wanted to</p> <p>22 be able to manage those levels, those variance levels,</p> <p>23 at both a unit, a shipping unit, and at a percentage</p> <p>24 basis.</p> <p>25 Q. Do you know if data on the percentage basis</p> | <p>1 parameters that were mentioned in the prior bullets and</p> <p>2 do the calculation of what would have -- what it would</p> <p>3 have projected to be the maximum allowable order and</p> <p>4 compare it to the order that was actually sent through</p> <p>5 and anywhere the order that came through exceeded that</p> <p>6 amount, so it would appear as an excessive order, that</p> <p>7 would be flagged.</p> <p>8 Q. Do you know if that calculation was being</p> <p>9 conducted manually at this time or any time prior?</p> <p>10 A. The only thing that I'm aware of is, I know</p> <p>11 that there was -- you know, we talked about the</p> <p>12 automated ordering process, that the computer generated</p> <p>13 the order, that the pharmacist could then modify the</p> <p>14 order.</p> <p>15 There was a limit on how much the pharmacist</p> <p>16 could increase the order. So there was a control in</p> <p>17 place there. I don't know what that percentage was,</p> <p>18 but there was a control in place there.</p> <p>19 Q. Okay. Other than that, you're not aware of</p> <p>20 any manual process that made this calculation reflected</p> <p>21 in Bullet Point 3 here?</p> <p>22 A. Other than that, I am not.</p> <p>23 Q. Let's go to the next page. It's called</p> <p>24 Trending Reports is the heading there.</p> <p>25 A. Okay.</p> |

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| <p>1 Q. In the interest of being efficient here, we'll 2 see if -- can you -- can you read through these various 3 bullet points here, and what I want to know is if you 4 know if any of these trend parameters were being 5 conducted manually at this time or prior, anytime prior 6 to the date of this document.</p> <p>7 A. Again, this was not my area of responsibility. 8 This is something that would have been managed in our 9 loss prevention department. I'm confident that reports 10 of this type were being manually generated. You know, 11 there wasn't a single existing system to create all of 12 this.</p> <p>13 So I'm confident that reports of many of these 14 types were being generated, but it wouldn't have been 15 anything I would have been involved in, so I don't --</p> <p>16 Q. Have you ever seen reports reflecting any of 17 this data that were manually generated?</p> <p>18 A. I -- I don't recall ever seeing any, but I -- 19 but I wouldn't. Again, it wasn't my area of 20 responsibility, so it isn't anything that I would have 21 needed to see.</p> <p>22 Q. In the beginning it says, the need exists to 23 monitor ordering patterns of a store over time. Do you 24 see that?</p> <p>25 A. I do.</p> | <p>1 pharmacist was limited to, let's say, you would 2 want to be able to say, Okay, I see that this is 3 going up by, you know, 5 percent every week or 4 whatever for the past five weeks, but, Oh, yeah, I 5 see we've got scripts to accomplish that or 6 accommodate that.</p> <p>7 BY MR. PIFKO:</p> <p>8 Q. Did you have an understanding that there was 9 any regulatory requirement that would require one to 10 monitor ordering patterns of a store over time?</p> <p>11 MS. McENROE: Objection to form.</p> <p>12 THE WITNESS: I would tell you that my 13 understanding is that our regulatory requirement 14 was to ensure that we prevented diversion and 15 identified suspicious orders, whatever it took to 16 do that.</p> <p>17 BY MR. PIFKO:</p> <p>18 Q. Do you know, with respect to the types of data 19 reflected on page 6 or Bates label 0024628, who would 20 be, if anyone, would be responsible for generating that 21 kind of data?</p> <p>22 A. I don't know with certainty. My guess is that 23 it would be Sophia Lai or someone in that area.</p> <p>24 Q. Who is Sophia?</p> <p>25 A. She was -- she worked in the loss prevention</p> |
| <p style="text-align: center;">Page 159</p> <p>1 Q. Well, to read the whole sentence, it says, In 2 addition to monitoring orders daily, the need exists to 3 monitor ordering patterns of a store over time. Do you 4 see that?</p> <p>5 A. I do.</p> <p>6 Q. Do you have an understanding about what that 7 means?</p> <p>8 A. I -- I do. I think it means that you need to 9 look at not just this week's orders but the orders, you 10 know, over a period of time, over a period of several 11 weeks when you're doing this type of analysis.</p> <p>12 Q. Do you have an understanding about why one 13 needs to do that?</p> <p>14 MS. McENROE: Objection to form.</p> <p>15 THE WITNESS: I would be speculating, I guess, 16 because, again, it's not my -- my area of 17 responsibility. It's not my area of expertise, 18 but I would say that I would guess that if you see 19 order quantities that are slowly but steadily 20 increasing, you would want to make sure that we 21 have a slow but steady increase in the number of 22 scripts for that store.</p> <p>23 So you would want to look at it -- you know, 24 something that might not be caught in terms of the 25 control of the percent increase that the</p> | <p style="text-align: center;">Page 161</p> <p>1 department. Asset protection, I guess is the official 2 name of the department. I should --</p> <p>3 Q. Okay.</p> <p>4 A. I should be more precise.</p> <p>5 Q. We'll take a break in a minute. I just want 6 to ask one more series of questions, if you'd go to the 7 next page.</p> <p>8 A. Okay.</p> <p>9 Q. There's a heading Assumptions. Do you see 10 that?</p> <p>11 A. Yes.</p> <p>12 Q. I want to direct your attention to a couple of 13 those bullet points there.</p> <p>14 A. Okay.</p> <p>15 Q. The second bullet point here, can you read 16 that out loud for me?</p> <p>17 A. Corporate associates will not force distribute 18 unreasonably large quantities of control drug items 19 using the Merchandise Distribution or Pharmacy 20 Replenishment Trend Adjustment applications.</p> <p>21 Q. Do you have an understanding what that means?</p> <p>22 A. I do. Occasionally orders would be created 23 that would force quantity out to the store without the 24 store ordering it. Typically, a very common reason for 25 that is it's a brand-new item. So it -- you know,</p> |

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| <p>1 there's no history. There's nothing in the store 2 system that will cause an order to be created. 3 So you force out a couple of pieces to every 4 store of a brand-new item, and then as they consume 5 that quantity, the systemic ordering process takes over 6 and begins to replenish it.</p> <p>7 Q. Why would it say that an associate could force 8 distribute something? How was -- so it's saying 9 there's an assumption in the system that corporate 10 associates will not force distribute unreasonably large 11 quantities.</p> <p>12 So in the system, someone could still override 13 the automated system to put, like you're saying, to put 14 out large volumes of product if they felt it was 15 necessary?</p> <p>16 A. There was --</p> <p>17 MS. McENROE: Objection to form.</p> <p>18 THE WITNESS: Sorry. There was a process by 19 which folks that are in the, actually, in the 20 replenishment department could force product out 21 to the stores; and I think that this is -- this is 22 the IT department basically saying we're assuming 23 that you won't force out some large quantity that 24 would cause a blip in this new system that 25 we're -- we're developing.</p> | <p>1 something that they wondered about, they thought 2 merited further follow-up, they would call the store, 3 and they would record the -- the, you know, result of 4 that conversation in -- and it's in those Excel 5 spreadsheets that we've talked about before. 6 This is saying, it assumes that that same 7 thing will take place, someone at the DC will call the 8 store, follow up on anything that was identified as 9 a -- as -- that was identified on this, quote unquote, 10 suspicious order review screen and would make the 11 appropriate entries onto that screen.</p> <p>12 Q. Okay. Thank you. With that, we'll take a 13 little break for lunch.</p> <p>14 A. Okay.</p> <p>15 THE VIDEOGRAPHER: Off the record, 1:24 p.m. 16 (Luncheon recess.)</p> <p>17 THE VIDEOGRAPHER: On the record, 2:12 p.m.</p> <p>18 BY MR. PIFKO:</p> <p>19 Q. Welcome back from the lunch break. Before we 20 took a break, we were looking at Exhibit 5, if you'll 21 recall.</p> <p>22 A. Okay.</p> <p>23 Q. I want to direct your attention back to page 6 24 of Exhibit 5. Specifically, the Bates label was 24628. 25 We were talking about data, whether data -- you were</p> |
| <p style="text-align: center;">Page 163</p> <p>1 BY MR. PIFKO:</p> <p>2 Q. And the new system wouldn't prevent someone 3 from doing that, and that's why they're assuming that. 4 Agree?</p> <p>5 A. To the best of my knowledge, that's correct.</p> <p>6 Q. And then I just want to ask about the third 7 bullet point. It says that -- the assumption that 8 McKesson's systems contain sufficient controls to 9 manage the DSD purchases. Do you know what a DSD 10 purchase is?</p> <p>11 A. The acronym stands for Direct Store Delivery.</p> <p>12 Q. And that's what we were talking about earlier?</p> <p>13 A. Correct. Where a store ordered directly from 14 McKesson and was replenished directly from McKesson.</p> <p>15 Q. We'll take a break. The last question here. 16 The first bullet point says that another assumption is, 17 This process assumes that the Distribution Centers will 18 proactively contact each store on the Suspicious Order 19 Review screen. Do you see that?</p> <p>20 A. I do.</p> <p>21 Q. Do you have an understanding about what that 22 means?</p> <p>23 A. I do. The -- you'll recall we talked about 24 the fact that in the current manual process, that even 25 if an order was below the threshold, if the DC saw</p> | <p style="text-align: center;">Page 165</p> <p>1 aware if this type of data was being collected as of 2 this time and prior. Do you recall that discussion?</p> <p>3 A. I do.</p> <p>4 Q. And I believe you testified that someone in 5 loss prevention -- or what was the other word you used 6 for that department?</p> <p>7 A. Asset protection.</p> <p>8 Q. Okay. -- loss prevention or asset protection 9 would be the one responsible for collecting that type 10 of information. Is that what you said?</p> <p>11 A. Yes.</p> <p>12 Q. Have you ever spoken with anybody from asset 13 protection or loss prevention about the data sets that 14 they collect --</p> <p>15 MS. McENROE: Objection to form.</p> <p>16 BY MR. PIFKO:</p> <p>17 Q. -- concerning orders?</p> <p>18 A. I do not recall any specific conversations 19 about store orders with asset protection about the 20 processes they go through.</p> <p>21 Q. And you also testified that you've never seen 22 any reports with that type of data in it, correct?</p> <p>23 A. That's correct.</p> <p>24 Q. I'm going to hand you two documents at once, 25 but they're basically one document.</p> |

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| <p>1 MS. McENROE: Mr. Pifko, are you marking them 2 together or separate? 3 MR. PIFKO: I'll mark them separately. 4 They're not stapled, so -- 5 (Rite-Aid Chapman Exhibit Nos. 6 and 7 were 6 marked for identification.) 7 BY MR. PIFKO: 8 Q. I'm handing you what's marked as Exhibit 6 and 9 Exhibit 7, which was what was attached to Exhibit 6, 10 and I'll read the Bates labels into the record in just 11 a minute. Here's 7. Let the record reflect the 12 witness is reviewing Exhibit 7. 13 For the record, Exhibit 6 is a single page 14 E-mail Bates labeled Rite_Aid_OMDL_0040183, and Exhibit 15 7 is a multiple-page Project Initiation Document for 16 Project 0 -- 5046 Suspicious Order Monitoring, Bates 17 labeled Rite_Aid_OMDL_0040184 through 198. So let me 18 know when you're done reviewing. 19 A. Okay. Okay. 20 Q. Have you seen Exhibit 6 and 7 before? 21 A. I have. 22 Q. When was the last time you saw them? 23 A. Well, I saw Exhibit 7 yesterday, I believe. 24 I -- I don't know that I saw this E-mail that it would 25 have been attached to, but obviously I saw both of them</p> | <p>1 Prevention, and it has Government Affairs instead. Do 2 you see that? 3 A. I do. 4 Q. Okay. Do you have a recollection of changing 5 the reason code follow up from the Loss Prevention 6 department to the Government Affairs department? 7 MS. McENROE: Objection to form. 8 THE WITNESS: No, I do not, and I didn't make 9 this change, so -- my area didn't make this 10 change. So no, I don't -- I don't know what 11 precipitated that. 12 BY MR. PIFKO: 13 Q. Okay. Do you know if there was any -- well, 14 the previous sentence says, Distribution Center 15 personnel will contact the store and enter a reason 16 code for the unusually high order quantity. Do you see 17 that? 18 A. I do. 19 Q. Okay. And then it says certain codes would 20 trigger follow up by somebody. Do you see that? 21 A. I do. 22 Q. Okay. And so my question is, do you know if, 23 at the time that this document was created or at any 24 time prior, if there was any follow-up by anyone if a 25 distribution center person noticed an unusually high --</p> |
| <p style="text-align: center;">Page 167</p> <p>1 in 2013 as well. 2 Q. Okay. And so you see from Exhibit 6 it 3 reflects that Janet is sending Karyn and you Exhibit 7, 4 which she says includes all comments and changes, which 5 her E-mail is dated October 9th, 2013. Do you see 6 that? 7 A. I do. 8 Q. Okay. Do you agree that Exhibit 7 is a 9 document reflecting all versions and changes as of that 10 date? 11 A. Yes. 12 MS. McENROE: Objection to form. 13 THE WITNESS: It appears that it is. 14 BY MR. PIFKO: 15 Q. If you note, there's some strikeouts and 16 things that are highlighted in Exhibit 7, if you see 17 that. 18 A. I do. 19 Q. For example, let's turn to page 3, which is 20 04 -- 0040186. Are you there? 21 A. I am. 22 Q. Do you see, for example, that it says, Select 23 reason codes -- about halfway down the page, the second 24 paragraph under Project Scope, it says, Select reason 25 codes will trigger follow up by, and struck out Loss</p> | <p style="text-align: center;">Page 169</p> <p>1 had contacted a store and reported an unusually high 2 order quantity? 3 MS. McENROE: Objection to form. 4 THE WITNESS: I'm not aware of any follow-up 5 that took place as a result of a distribution 6 center associate contacting government affairs or 7 loss prevention about an unusually large order. 8 It might -- may have happened, but I'm not aware 9 of that. 10 BY MR. PIFKO: 11 Q. If you go to the next page, there's a bullet 12 point with a change there. Do you see that? 13 A. I do. 14 Q. It says, Spoke to Dan Miller about this 15 function, he agreed to remove this ability for all RX 16 Legend Drugs. Do you see that? 17 A. I do. 18 Q. Do you know who Dan Miller is? 19 A. I do. 20 Q. Who is he? 21 A. He is currently -- well, he -- he's -- to the 22 best of my knowledge, he's still employed by Rite-Aid 23 and is in the government affairs department now. He 24 was, at that point in time, I believe he was in 25 pharmacy operations, but he's a -- he's in the pharmacy</p> |

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| <p>1 department, so --</p> <p>2 Q. Is there a pharmacy -- you mentioned the idea</p> <p>3 of pharmacy operations earlier in deposition when we</p> <p>4 were talking about distribution centers. Is there a</p> <p>5 pharmacy operations department or division at the</p> <p>6 corporate offices?</p> <p>7 MS. McENROE: Objection to form.</p> <p>8 THE WITNESS: Yes, there are -- there is a</p> <p>9 form -- a pharmacy operations department, and I</p> <p>10 may not be using the title that they use for their</p> <p>11 department, but there is a department that serves</p> <p>12 that function.</p> <p>13 BY MR. PIFKO:</p> <p>14 Q. Who was the head of that function when you</p> <p>15 were VP of logistics?</p> <p>16 A. Well, Dan -- it may have been Dan. I can't</p> <p>17 swear to the exact reporting. I don't -- you know, I</p> <p>18 mean, there's multiple levels of pharmacy</p> <p>19 responsibilities that all report into the senior vice</p> <p>20 president of pharmacy. So I -- I believe pharmacy</p> <p>21 operations would have been Dan Miller at that point,</p> <p>22 but I'm -- I -- I can't swear to that.</p> <p>23 Q. Do you have an understanding of the type of</p> <p>24 activities that are managed within the pharmacy</p> <p>25 operations department?</p> | <p>1 involved in.</p> <p>2 BY MR. PIFKO:</p> <p>3 Q. So that's helpful. Can you explain the</p> <p>4 hierarchy of the reporting structure for pharmacists?</p> <p>5 MS. McENROE: Objection to form.</p> <p>6 THE WITNESS: Typically, there was -- and let</p> <p>7 me preface this by saying there are -- there have</p> <p>8 been changes that took place, you know, to some</p> <p>9 degree in the time that I worked for Rite-Aid; but</p> <p>10 typically, there's a pharmacist -- you know, a</p> <p>11 pharmacist in charge at a store.</p> <p>12 That pharmacist or the pharmacy operation</p> <p>13 reports to a pharmacy district manager. A -- or a</p> <p>14 group of pharmacist stores reported to a pharmacy</p> <p>15 district manager. A group of pharmacy district</p> <p>16 managers reported to a pharmacy vice president and</p> <p>17 then that reported in to the corporate office.</p> <p>18 BY MR. PIFKO:</p> <p>19 Q. And when you say the corporate offices, you</p> <p>20 mean at Camp Hill?</p> <p>21 A. I do mean at Camp Hill.</p> <p>22 Q. Let's go to the next page of Exhibit 7. Do</p> <p>23 you see there's a bunch of changes that are reflected</p> <p>24 here as well?</p> <p>25 A. I do.</p> |
| <p style="text-align: center;">Page 171</p> <p>1 A. I'm familiar with at least some of them.</p> <p>2 Q. Okay. Can you tell me the ones that you are</p> <p>3 familiar with?</p> <p>4 A. If there's an activity that involved</p> <p>5 pharmacists at the store and needed coordination across</p> <p>6 all divisions, typically the pharmacy operations</p> <p>7 department would be -- would be the focal point --</p> <p>8 would be the one that would initiate and manage those</p> <p>9 changes.</p> <p>10 So it's to manage, you know, pharmacy</p> <p>11 activities commonly across all divisions and stores.</p> <p>12 Q. If there is discipline against a pharmacist,</p> <p>13 is that the division or department who would handle it?</p> <p>14 MS. McENROE: Objection to form.</p> <p>15 THE WITNESS: I don't know the answer to that,</p> <p>16 in the sense that it wasn't my area of</p> <p>17 responsibility, but I would expect that it would</p> <p>18 be handled -- discipline of pharmacists would be</p> <p>19 handled at the local level where a pharmacist</p> <p>20 would have reported to a pharmacy district</p> <p>21 manager, and a pharmacy district manager would</p> <p>22 have responded -- reported to a pharmacy vice</p> <p>23 president out in the field is what I would</p> <p>24 anticipate would be the answer to that question;</p> <p>25 but again, that isn't something I would have been</p> | <p style="text-align: center;">Page 173</p> <p>1 Q. Are you familiar with any of these changes?</p> <p>2 MS. McENROE: Objection to form.</p> <p>3 THE WITNESS: I -- I can read them, yes, so --</p> <p>4 and I understand what they mean.</p> <p>5 BY MR. PIFKO:</p> <p>6 Q. Okay. Well, let's look at the -- not the</p> <p>7 first one but changes -- that has and/or but the next</p> <p>8 one. It says, Will there also -- well, for the bullet</p> <p>9 point that says, Provide a Reason Code dropdown to be</p> <p>10 selected when the Distribution Center Associate</p> <p>11 contacts the store; and then the comment here is, Will</p> <p>12 there also be tracking capability to indicate who the</p> <p>13 Distribution Center Association spoke with? If not</p> <p>14 could we add? Do you see that?</p> <p>15 MS. McENROE: Objection to form. And a quick</p> <p>16 correction. It was "associate" not "association."</p> <p>17 THE WITNESS: I do see it.</p> <p>18 BY MR. PIFKO:</p> <p>19 Q. Okay. Do you have an understanding about what</p> <p>20 that's referring to?</p> <p>21 A. I do. What that's saying is that if there was</p> <p>22 an order that -- an excessive order or an order that</p> <p>23 prompted action by the distribution center associate,</p> <p>24 when they called the store, you would typically want</p> <p>25 that person to get the name of the person they spoke</p> |

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| <p>1 to, and I think this is saying, I want to explicitly 2 have that as a required data element, something that 3 they would be forced to enter so we would always know 4 who they spoke to when they called the store.</p> <p>5 Q. Do you know if that information was collected 6 at this time or prior, at any time prior to this time?</p> <p>7 MS. McENROE: Objection to form.</p> <p>8 THE WITNESS: When they -- when they -- you 9 know, I mentioned that as a part of the control 10 processes that we already had in place, the manual 11 control processes, that they recorded in an Excel 12 spreadsheet anytime they took action on an excess 13 order and -- an order that they -- seemed unusual 14 to them, and they would typically record that they 15 spoke to the pharmacist or something along those 16 lines.</p> <p>17 They may not have always recorded the 18 pharmacist's name; and again, I'm sure that's what 19 Janet's thought process here is, I'd like to know 20 specifically who the individual is that they spoke 21 to.</p> <p>22 BY MR. PIFKO:</p> <p>23 Q. Why do you think that information would be 24 important?</p> <p>25 MS. McENROE: Objection to form.</p> | <p>1 would need to talk to as opposed to just calling the 2 pharmacy and asking for -- asking for the pharmacist.</p> <p>3 Q. Do you know if, at this time or anytime prior, 4 that type of information was collected anywhere?</p> <p>5 A. I don't know the answer to that.</p> <p>6 Q. Let's go to the next page, the page headed 7 Trending Reports. There's a comment in the last bullet 8 point. The last bullet point, the first sentence says, 9 Provide a portal report by Drug Class within a store 10 whose increase in total order quantity for the drug 11 class over X months is above the Percent Increase of 12 Controls threshold when compared to the increase total 13 dispense in total order quantity for the store.</p> <p>14 Do you see that?</p> <p>15 A. I do.</p> <p>16 Q. Do you have an understanding about what that 17 means?</p> <p>18 A. I would read it to mean that they want to 19 identify stores where, if you took their change in 20 overall pharmacy business and compared to it their 21 change in controlled substance dispensing, that there 22 was a difference between the two. That's what I would 23 read that to mean.</p> <p>24 Q. Do you know if --</p> <p>25 A. Or a difference that exceeded a certain</p> |
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| <p>1 THE WITNESS: Well, I think if there was any 2 further follow-up, they would want to make sure 3 they're speaking to the right person that was 4 involved in the action -- the activity, so --</p> <p>5 BY MR. PIFKO:</p> <p>6 Q. At the bottom, the last change here is -- 7 well, question. It says, Could we also display the 8 USER ID that placed the over ride on the order? Do you 9 see that?</p> <p>10 A. I do.</p> <p>11 Q. Do you have an understanding about what that's 12 about?</p> <p>13 A. I believe what it's saying is they want to 14 know if the -- if the order had been modified at the 15 store, you know, the suggested order quantity came out 16 of the system at the store and someone at the store 17 overrode that, they would want to know who that person 18 is. I believe that's what it's saying, but I'm not a 19 hundred percent certain of that.</p> <p>20 Q. And why would you want to know who that person 21 is?</p> <p>22 A. Well, again, I'm not the one making the 23 request, but I would think that if you wanted to do 24 follow-up on a, you know, series of occurrences, it 25 would be helpful to know the specific person that you</p> | <p>1 amount.</p> <p>2 Q. Do you know if that type of data was being 3 collected at this time or at any time prior?</p> <p>4 A. I -- I would assume that it is something that 5 people were running reports to analyze, but of my own 6 knowledge, no. Again, that wasn't my area of 7 responsibility, so I can't say of my own knowledge that 8 that was being done.</p> <p>9 Q. Okay. So you don't know. That's correct?</p> <p>10 A. I don't -- I -- I don't know.</p> <p>11 Q. It says -- well, the comment is, Will this 12 also have dispensing quantity? Will a data feed for 13 DSD purchases also be reflected? Can this be displayed 14 as a roll up code and individual NDC? Do you see that?</p> <p>15 A. I do.</p> <p>16 Q. Do you have an understanding about what that's 17 inquiring about?</p> <p>18 A. It may be a partial understanding. Some of it 19 I would be making some assumptions about. I think -- 20 well, when it says, Will it also have dispensing 21 quantity, it's looking for data on actual prescriptions 22 that were filled.</p> <p>23 When it asks for a data feed for DSD 24 purchases, that's the purchases that would have come 25 from McKesson; and, when it says, Can this be displayed</p> |

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| <p>1 as a roll up code in an individual NDC, this is the 2 part that I'm probably a little less certain of, but I 3 know that there are some particularly generic products 4 that I believe may have more than one NDC for what is 5 effectively the same skew because it's manufactured by 6 someone differently -- different.</p> <p>7 So they'd want to be able to track at the 8 product level as opposed -- not just at the NDC level 9 but both at the NDC level and at the product level is 10 what I would read that to say, but that's my inference 11 and assumption from what it says.</p> <p>12 Q. All right. So what you're saying is, if 13 there's oxy 30, for example, is a pill but there could 14 be several manufacturers and with different NDC codes, 15 you'd want some ability to say still this many oxy 30s 16 total are being ordered?</p> <p>17 A. I would read that to be what this request is; 18 but again, I didn't make it, so that's an assumption on 19 my part.</p> <p>20 Q. Do you know if pharmacies track forged 21 prescriptions that are submitted?</p> <p>22 MS. McENROE: Objection to form.</p> <p>23 THE WITNESS: Of my own knowledge, I don't 24 know what the processes are for that.</p> <p>25 BY MR. PIFKO:</p> | <p>1 Q. Okay. So it says here, Walgreens was fined 2 \$80 million?</p> <p>3 A. Yes.</p> <p>4 Q. Cardinal Health, \$34 million?</p> <p>5 A. Yes.</p> <p>6 Q. McKesson, \$13 million?</p> <p>7 A. Yes.</p> <p>8 Q. Do you have an understanding about why there's 9 a reference to fines for controlled substances with 10 respect to distributors in the Benefit Estimate here?</p> <p>11 A. I do. I think the point that's being made is 12 if a company didn't have adequate controls in place -- 13 and again, I want to emphasize we already had controls 14 in place and, actually, a robust multilevel but, in 15 some degree, manual set of controls in place; but, if 16 you didn't have adequate controls in place, then there 17 could be issues that resulted in fines. So I think 18 that's the point that's being made.</p> <p>19 Q. And this also notes that licenses were 20 surrendered on two of the occasions. Do you see that?</p> <p>21 A. I do.</p> <p>22 Q. And then again, the next paragraph mentions 23 the West Virginia lawsuits. Do you see that?</p> <p>24 A. I do.</p> <p>25 Q. Does this, the language about the</p> |
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| <p>1 Q. Who do you think would know that?</p> <p>2 A. Well, certainly our loss prevention and 3 pharmacy operations people would know that.</p> <p>4 Q. And to the best of your recollection, that 5 would be Dan, who we mentioned earlier?</p> <p>6 A. Well, to the best of my recollection, it would 7 have been. Dan would have been one of the people that 8 would know that during this time period, yes.</p> <p>9 Q. I want to go to the -- a couple pages further 10 to the section of the Benefit Estimate.</p> <p>11 A. Okay.</p> <p>12 Q. You recall we talked about the benefit 13 language earlier, correct?</p> <p>14 A. I do.</p> <p>15 Q. And there was some discussion about the 16 lawsuits in West Virginia. Do you recall that?</p> <p>17 A. I do.</p> <p>18 Q. This mentions -- in addition to that, it 19 mentions some fines that -- for controlled substances, 20 for shipping suspicious orders. Do you see that?</p> <p>21 A. I do.</p> <p>22 Q. Do you understand what that's referring to 23 there?</p> <p>24 A. In general terms, yes. I -- I don't have any, 25 you know, specific knowledge of these cases, but yes.</p> | <p>1 West Virginia lawsuits, refresh your recollection about 2 any other discussion that you may have had about those 3 lawsuits?</p> <p>4 A. I don't remember ever having any discussions 5 about those lawsuits.</p> <p>6 Q. The next paragraph on page 10, Bates label 7 0040193, the next full paragraph there says, DEA has 8 stated numerous times controlled substance distributors 9 must have a protocol to identify and report suspicious 10 orders based on individual pharmacy volume not generic 11 limits for all registrants. Do you see that?</p> <p>12 A. I do.</p> <p>13 Q. Do you have an understanding about what that 14 means and why that's here?</p> <p>15 MS. McENROE: Objection to form.</p> <p>16 THE WITNESS: I -- I do, and I think, 17 actually, it's pointing out that -- what it's 18 essentially pointing out is that the orders that 19 you process has to be -- have to be based on 20 volume, and that actually works out very well with 21 what Rite-Aid's systems were because, as we've 22 talked about numerous times, the order originated 23 out of the store-ordering system that created the 24 order based on volume.</p> <p>25 So the Rite-Aid -- you know, I would tell you,</p> |

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| <p>1 yes, I understand what it means, and yes, I think 2 Rite-Aid had a process in place to ensure that the 3 orders were based on individual pharmacy volume.</p> <p>4 BY MR. PIFKO:</p> <p>5 Q. Okay. Let's back up for a second. So when 6 you read this sentence, what specifically do you 7 understand it to mean?</p> <p>8 A. That the DEA is saying that you need to have 9 processes in place that manage these orders that take 10 into account individual store pharmacy volume.</p> <p>11 Q. And what's your understanding of how an 12 individual pharmacy volume is supposed to be taken into 13 account?</p> <p>14 MS. McENROE: Objection to form.</p> <p>15 THE WITNESS: I think the expectation is that 16 there would be a relationship between the store's 17 volume in shipments -- I'm sorry -- in dispensing 18 of controlled substances with the store's order of 19 controlled substances.</p> <p>20 BY MR. PIFKO:</p> <p>21 Q. And what should that relationship be?</p> <p>22 A. Well, there should be a fairly direct 23 relationship if you exclude seasonality and pack size 24 and some of those other things, so --</p> <p>25 Q. Is there some way -- so what I'm hearing you</p> | <p>1 can't tell you with certainty all of the things that 2 are taken into account and the precise calculations 3 that go into that; but that's one example I can -- I 4 can tell you that I know impacted store orders.</p> <p>5 Q. Well, I'm just trying to understand how -- you 6 said it's your understanding that this sentence means 7 that there should be a direct connection between how 8 much is ordered and how much is dispensed --</p> <p>9 MS. McENROE: Objection.</p> <p>10 BY MR. PIFKO:</p> <p>11 Q. -- and I -- what I'm asking, what I'm trying 12 to get you to explain is, where there could be 13 circumstances where you'd order something that has 14 nothing to do with what's dispensed.</p> <p>15 MS. McENROE: Objection to form.</p> <p>16 THE WITNESS: Actually, what I think I said 17 was that I felt like this sentence meant it was 18 that the DEA expected us to identify suspicious 19 orders based on an individual store's volume.</p> <p>20 You further asked whether or not there's a 21 correlation between a store's volume and the 22 dispensing, and I think that there should be. 23 Now, do I know all of the factors that would go 24 into that to increase or decrease or influence it? 25 No, I don't. It's not my area of expertise.</p> |
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| <p>1 say is, there should be a connection between how much 2 is ordered and how much is dispensed; is that correct?</p> <p>3 A. I am saying that, and I'm also saying that 4 there was in our system. It directly drove the order 5 based on your volume, which -- which is what created 6 what your, you know, shelf stock should be; and then 7 based on what your shelf stock, your actual on-hand 8 balance, the difference between the two is what would 9 have resulted in your order.</p> <p>10 Q. Are you aware of a circumstance where an order 11 might not necessarily relate to a volume of product 12 dispensed?</p> <p>13 MS. McENROE: Objection to form.</p> <p>14 THE WITNESS: Are you asking that as a general 15 statement or about a specific order?</p> <p>16 BY MR. PIFKO:</p> <p>17 Q. Well, first as a general statement.</p> <p>18 A. Well, as a general statement, what I would say 19 is there is some seasonality in all of, you know, in 20 all of our businesses. So in some cases there's 21 adjustment to the store order algorithms to increase 22 on-hand balances based on season.</p> <p>23 So that would have a varying -- another effect 24 on it. You know, again, as I've stated multiple times, 25 I'm not an expert on the store ordering system, so I</p> | <p>1 BY MR. PIFKO:</p> <p>2 Q. Do you see the last section here? It says, 3 Controlled substance distributors must have a 4 suspicious order monitoring system in place which can 5 be provided to and explained to the DEA on any routine 6 inspection visit.</p> <p>7 A. I do.</p> <p>8 Q. What do you understand that to mean?</p> <p>9 A. That you have to have a system in place that 10 is used to monitor and identify any suspicious orders, 11 and you have to be able to explain it to the DEA; and, 12 as I've mentioned, Rite-Aid -- I was impressed from the 13 time I joined Rite-Aid, that they had a robust 14 multilevel system, and I think I've also mentioned that 15 we were even audited by the DEA, and they complimented 16 us on that.</p> <p>17 So I would tell you that what we had in place 18 certainly met what this sentence says is the 19 requirement.</p> <p>20 Q. Do you have an understanding about why this 21 sentence is being used here in connection with it being 22 a benefit of this project?</p> <p>23 MS. McENROE: Objection to form.</p> <p>24 THE WITNESS: I think that the point is is 25 that, again, we would be replacing some systems</p> |

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| <p>1 and processes that were already in place but were 2 more manual or more labor intensive that already 3 met these requirements and had these 4 characteristics, so the system that you then 5 replaced it with would also have to meet these 6 requirements and have these characteristics.</p> <p>7 BY MR. PIFKO:</p> <p>8 Q. Let's go to Appendix A.</p> <p>9 A. Okay.</p> <p>10 Q. Appendix A spans three pages.</p> <p>11 A. Right.</p> <p>12 Q. Are you familiar with these data parameters?</p> <p>13 A. Yes, generally I am.</p> <p>14 Q. How -- how familiar with these data 15 parameters?</p> <p>16 A. These are the parameters that -- I think I 17 mentioned earlier that part of my -- part of the way 18 that I got involved in this or, you know, made some 19 comments in the process -- or the progress of this 20 project was in, kind of, the design of the -- how IT 21 would approach the design, a more technical view of it.</p> <p>22 And I said that my recommendation was that 23 they design this so that there were tables that contain 24 the parameters that drove all the calculations and the 25 reporting and things of that nature as opposed to those</p> | <p>1 substances; is that correct?</p> <p>2 A. I would -- I'm not the one that, you know, 3 the -- kind of the sole decision-maker to be able to 4 say why this was or wasn't implemented. I will say 5 that when you look at the timeline for completion for 6 it, it would not have been finished until we were -- 7 had stopped, you know, until the company had planned to 8 stop distributing pharmacy products.</p> <p>9 So I would -- I would guess that that's the 10 reason that it didn't move any further.</p> <p>11 Q. Were you involved in the discussions to stop 12 self-distributing controlled substances?</p> <p>13 A. I was not involved in the discussions from the 14 perspective of making the decision. I was involved in 15 the discussions of what the implications or, kind of, 16 the activities that would be necessary if and when that 17 decision was made and was implemented.</p> <p>18 Q. So you wouldn't be familiar with the reasons 19 why that decision was made; is that correct?</p> <p>20 A. I was not part of that decision-making 21 process.</p> <p>22 Q. Did anyone tell you what the reasons were?</p> <p>23 A. Other than -- I'm sure that there was a press 24 release that, when we announced the change and probably 25 a joint press release, I would guess, with us and</p> |
| <p style="text-align: center;">Page 187</p> <p>1 parameters actually being inserted in program code.</p> <p>2 That's what these are, is the parameters that 3 were then identified and recommended by a combination 4 of our, you know, government affairs, loss prevention, 5 and supply chain department, so --</p> <p>6 Q. Did you have any involvement in designing the 7 actual parameters or selecting the parameters that 8 would be included here?</p> <p>9 A. I did not. That's something Chris would have 10 been involved in on my team; and, you know, to the 11 degree that we would have been involved in it, I mean, 12 largely these things are going to be driven by 13 government affairs and loss prevention, but any input 14 from our group directly would have come from Chris.</p> <p>15 Q. Were you part of any discussions, aside from, 16 like you said, putting it in table format, about the 17 designing of these parameters?</p> <p>18 A. No. I don't recall any discussions that I had 19 about the parameters or the detail of, you know, 20 exactly how the calculations would work, other than the 21 structure and kind of the technical approach to the 22 project. Again, that's something Chris would have been 23 more involved with.</p> <p>24 Q. So ultimately this project wasn't implemented 25 because Rite-Aid stopped self-distributing controlled</p> | <p style="text-align: center;">Page 189</p> <p>1 McKesson, and I'm sure there was some public 2 information that was -- that was shared about it, but 3 other than that, no. Again, it wasn't my area of 4 responsibility.</p> <p>5 Q. But then there were -- there were changes that 6 were rolled out after the decision that was made that 7 affected people under your control?</p> <p>8 MS. McENROE: Objection to form.</p> <p>9 THE WITNESS: I'm not sure what you're 10 referring to.</p> <p>11 BY MR. PIFKO:</p> <p>12 Q. Well, I think based on your answer, you said 13 you weren't part of the discussions about why to do it, 14 but then there were discussions about the fact that it 15 was being done?</p> <p>16 A. And what we needed to do to support it, yes.</p> <p>17 Q. Right. And so my question to you is whether 18 you were involved in, as you say, changes to support it 19 or what needed to be done to support it. My question 20 to you is, if you're familiar with what, if anything, 21 changed at the company as a result of that decision.</p> <p>22 MS. McENROE: Objection to form.</p> <p>23 THE WITNESS: Well, I'm familiar that -- the 24 big picture that I was involved with would be that 25 we had pharmacy departments at four of the</p> |

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| <p style="text-align: right;">Page 190</p> <p>1 distribution centers that had both staff and 2 product.</p> <p>3 So if you're going to eliminate that function, 4 then you need to deal with the staff, and, you 5 know, are there going to be layoffs, are they 6 going to move to other departments, how is that 7 going to be managed.</p> <p>8 And also, the product at some point is going 9 to, you know, even if you let that inventory bleed 10 down, that product is going to, at some point, 11 have to be moved to another location, so -- so I 12 was involved in planning and discussions around 13 all of that, so --</p> <p>14 BY MR. PIFKO:</p> <p>15 Q. Aside from personnel changes and -- at the 16 distribution centers and dealing with leftover product, 17 were you involved with any other process changes as a 18 result of the decision to -- not to self-distribute 19 controlled substances?</p> <p>20 A. Well, the other thing --</p> <p>21 MS. McENROE: Objection to form.</p> <p>22 THE WITNESS: The other thing that, you know, 23 more directly impacted my area is, some of the 24 responsibilities of that compliance position now 25 were no longer appropriate or no longer part of</p> | <p style="text-align: right;">Page 192</p> <p>1 Q. Were you working at the company when that 2 occurred?</p> <p>3 A. I was.</p> <p>4 Q. Okay. And so I believe you said Kevin was the 5 last name that you mentioned of having that role. I 6 forget his last name.</p> <p>7 A. Peterson.</p> <p>8 Q. Kevin Peterson. Was he terminated at that 9 time?</p> <p>10 A. No.</p> <p>11 Q. Okay.</p> <p>12 A. No. He was responsible for pharmacy returns, 13 and so he assumed the responsibility -- these 14 responsibilities as well, so --</p> <p>15 Q. Okay. Was Chris -- did Chris leave the 16 company as a result of that change?</p> <p>17 A. No. Chris left, took another job, so --</p> <p>18 Q. So when Chris left, who took his position?</p> <p>19 A. Those responsibilities moved to 20 Kevin Peterson, so --</p> <p>21 Q. Okay. Was that -- was Chris's departure at 22 the time when the company stopped self-distributing 23 controlled substances?</p> <p>24 A. It was -- I don't remember the exact month and 25 year of Chris's departure, but I think it was in that</p> |
| <p style="text-align: right;">Page 191</p> <p>1 the supply chain area responsibility, so --</p> <p>2 BY MR. PIFKO:</p> <p>3 Q. Was that position cut back?</p> <p>4 MS. McENROE: Objection to form.</p> <p>5 THE WITNESS: No. The -- there was an 6 individual that was responsible for pharmacy 7 returns, that basically anything that would have 8 remained in that regulatory position rolled into 9 the responsibility of the individual who was 10 responsible for pharmacy returns.</p> <p>11 BY MR. PIFKO:</p> <p>12 Q. Okay. So then you no longer had a person who 13 had that regulatory compliance, just -- that was their 14 sole responsibility, that position was terminated, and 15 you rolled those responsibilities into another person's 16 job title?</p> <p>17 A. The --</p> <p>18 MS. McENROE: Objection to form.</p> <p>19 THE WITNESS: The remaining -- and it 20 probably, frankly, was very, very few, but 21 whatever other responsibilities that related to 22 regulatory compliance in the distribution centers 23 were rolled into the responsibility of the 24 individual that handled pharmacy returns.</p> <p>25 BY MR. PIFKO:</p> | <p style="text-align: right;">Page 193</p> <p>1 window of time when that was occurring, so --</p> <p>2 Q. And it's your testimony that the two had 3 nothing to do with each other?</p> <p>4 A. Chris's departure?</p> <p>5 Q. Yeah.</p> <p>6 A. Oh, Chris's departure, to the best of my 7 knowledge, had nothing to do with that. He had another 8 job opportunity and he -- I mean, that's -- that's what 9 Chris told me, was he had another job opportunity, yes.</p> <p>10 Q. Janet Hart, did her position change in any 11 way, to your knowledge?</p> <p>12 MS. McENROE: Objection to form.</p> <p>13 THE WITNESS: Not to my knowledge, and I don't 14 know that I would have, you know, known anything, 15 other than she no longer had to act as an advisor 16 to the distribution centers, you know, that 17 component of her responsibility; but no, I'm not 18 aware of anything else.</p> <p>19 BY MR. PIFKO:</p> <p>20 Q. We're going to take a short break.</p> <p>21 MS. McENROE: Sure.</p> <p>22 THE VIDEOGRAPHER: Off the record, 2:50 p.m. (Brief recess was taken.)</p> <p>23 THE VIDEOGRAPHER: On the record, 3:02 p.m.</p> <p>24 MS. McENROE: Good afternoon.</p> |

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| 1 MR. PIFKO: This is -- | 1 A. Smaller and then very close together for |
| 2 MS. McENROE: Go ahead. Sorry. | 2 Wilson. Wilson would have very little, so -- |
| 3 MR. PIFKO: This is Mark from Plaintiffs' | 3 Q. Counsel for Plaintiffs asked you a |
| 4 counsel. Pending any direct examination, I don't | 4 hypothetical regarding oxy 30 just a couple minutes |
| 5 have any further questions. | 5 ago. Do you remember that? |
| 6 CROSS-EXAMINATION | 6 A. I do. |
| 7 BY MS. McENROE: | 7 Q. Is that an item that Rite-Aid ever |
| 8 Q. Good afternoon, Mr. Chapman. My name is | 8 distributed? |
| 9 Elisa McEnroe. I'm counsel for Rite-Aid and here on | 9 A. No. You know, oxy 30 -- oxy is a C2, and I |
| 10 your behalf today. Do you understand that? | 10 think we've talked about this before, but Rite-Aid |
| 11 A. I do. | 11 never distributed Class 2 controlled substances. |
| 12 Q. Okay. I just have -- | 12 Q. Great. Thank you. I have no further |
| 13 THE VIDEOGRAPHER: Could you slide to your | 13 questions. |
| 14 right? | 14 MR. PIFKO: I'm good. |
| 15 MS. McENROE: Sure. Is that good? | 15 MS. McENROE: Thank you for your time today. |
| 16 THE VIDEOGRAPHER: Thank you. | 16 MR. VITALE: On behalf of Cardinal Health, I |
| 17 BY MS. McENROE: | 17 don't have any questions. |
| 18 Q. I just have a few questions for you. If you | 18 THE VIDEOGRAPHER: Anybody on the phone? |
| 19 could look at Exhibit 7. | 19 MS. McENROE: I don't think so. |
| 20 A. Okay. | 20 THE VIDEOGRAPHER: Off the record, 3:04 p.m. |
| 21 Q. On that exhibit and on a number of other | 21 (Deposition concluded at 3:04 p.m.) |
| 22 exhibits we've looked at today there's been an | 22 |
| 23 individual named Wilson Lester on certain project | 23 |
| 24 documents. Do you see that? | 24 |
| 25 A. Yes. | 25 |
| Page 195 | Page 197 |
| 1 Q. And do you know who that is? | 1 CERTIFICATE OF OATH |
| 2 A. Wilson was my boss at Rite-Aid. | 2 |
| 3 Q. Did you ever discuss this project with him? | 3 |
| 4 A. I'm sure that we did, and we had high-level | 4 STATE OF FLORIDA |
| 5 discussions about this project, so -- | 5 COUNTY OF HILLSBOROUGH |
| 6 Q. Did you have a sense of the depth of | 6 |
| 7 Mr. Lester's knowledge on this project? | 7 |
| 8 A. It would have been at an executive level, you | 8 I, Lisa A. Simons-Clark, RMR, CRR, Notary |
| 9 know, a very high level of just conceptually knowing | 9 Public, State of Florida, certify that RICK CHAPMAN |
| 10 what the project was about and not at any detailed | 10 personally appeared before me on the 18th day of |
| 11 level at all, you know. If Chris's -- Chris Belli's | 11 December, 2018, and was duly sworn. |
| 12 knowledge of the project was this much, you know, mine | 12 |
| 13 might have been this much, and Wilson's would have been | 13 WITNESS my hand and official seal this ____ day of |
| 14 this much because -- | 14 December, 2018. |
| 15 Q. At -- go ahead. | 15 |
| 16 A. Because his -- again, he was -- Wilson was a | 16 |
| 17 senior vice president of supply chain, responsible for | 17 _____ Lisa A. Simons-Clark, RMR, CRR |
| 18 all the distribution centers for the corporate team, | 18 Notary Public - State of Florida |
| 19 the replenishment function. You know, this was one of | 19 My Commission Expires: 7/1/20 |
| 20 many, many responsibilities that he had. So that's no | 20 Commission No. GG 001980 |
| 21 disrespect to Wilson, so -- | 21 |
| 22 Q. And for the purposes of the record, you were | 22 |
| 23 saying this much, this much, and this much. Can you | 23 |
| 24 just say that a little bit more and more -- you had | 24 |
| 25 your hands bigger and then smaller, then smaller? | 25 |

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| <p style="text-align: right;">Page 198</p> <p>1 REPORTER'S CERTIFICATE 2 3 STATE OF FLORIDA 4 COUNTY OF PINELLAS 5 6 I, Lisa A. Simons-Clark, Registered Merit 7 Reporter, Certified Realtime Reporter, certify that I 8 was authorized to and did stenographically report the 9 deposition of RICHARD CHAPMAN; that a review of the 10 transcript was requested; and that the transcript is a 11 true and complete record of my stenographic notes. 12 13 I further certify that I am not a relative, 14 employee, attorney, or counsel of any of the parties, 15 nor am I a relative or employee of any of the parties' 16 attorney or counsel connected with the action, nor am I 17 financially interested in the action. 18 19 Dated this ____ day of December, 2018. 20 21 22 23 24 25</p> <p style="text-align: center;">Lisa A. Simons-Clark, RMR, CRR</p> | <p style="text-align: right;">Page 199</p> <p>1 ERRATA SHEET 2 DO NOT WRITE ON TRANSCRIPT - ENTER CHANGES HERE 3 IN RE: National Prescription Opiate Litigation 4 WITNESS: RICHARD CHAPMAN 5 DATE OF DEPOSITION: December 18, 2018 6 PAGE LINE CHANGE REASON 7 _____ 8 _____ 9 _____ 10 _____ 11 _____ 12 _____ 13 _____ 14 _____ 15 _____ 16 _____ 17 _____ 18 _____ 19 _____ 20 21 Under penalties of perjury, I declare that I have read 22 the foregoing document and that the facts stated in it 23 are true. 24 DATE RICHARD CHAPMAN 25 Reporter: Lisa A. Simons-Clark, RMR, CRR</p> |
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